

# GUFIC BIOSCIENCES LIMITED

## DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the 36<sup>th</sup> Annual Report of the Company and the Standalone Audited Financial Statements for the financial year ended March 31, 2020.

### FINANCIAL SUMMARY :

The financial performance of the Company, for the year ended March 31, 2020 is summarized below :

₹ in Lakhs

Particulars	2019-20	2018-19
Total Revenue from Operations	35,775.13	35,076.96
Other Income	681.50	417.22
Total Income	36,456.63	35,494.18
Profit / (Loss) before Depreciation, Finance Cost, Exceptional items & tax Expenses	5,139.84	5,015.69
(Less): Depreciation and Amortization expense	835.00	464.66
Profit / (Loss) before Finance Costs/ Exceptional items & Tax Expense	4,304.84	4,551.03
(Less): Finance Costs	1,271.83	1,016.12
Profit / (Loss) before Exceptional items and Tax Expense	3,033.01	3,534.91
Add / (Less) Exceptional items	-	-
Profit / (Loss) before tax Expense	3,033.01	3,534.91
(Less): Tax Expense (Current)	831.00	1,152.82
Deferred Tax	91.98	182.07
(Excess)/ Short Tax Provision of Earlier Years	(175.64)	5.94
Profit / Loss for the year (1)	2,285.67	2,194.08
Other Comprehensive Income / (Loss) (2)	(197.96)	(2.24)
Total (1+2)	2,087.71	2,191.84

The Company has prepared the Standalone Financial Statements in accordance with the Companies (Indian Accounting Standards) Rules, 2015 prescribed under Section 133 of the Companies Act, 2013.

### PERFORMANCE REVIEW:

The Company's total revenue for the financial year under review was ₹. 36,456.63 lakhs as compared to ₹. 35,494.18 lakhs in the previous year thus making an increase of about 2.71%. The turnover of the Company from the domestic market is around 88% and from exports is around 12%.

During the year under review, the Net Profit after tax of the Company increased to ₹. 2,285.67 lakhs as against ₹. 2,194.07 Lakhs in the previous year, thus registering a growth of about 4.17%. The increase in the Net Profit is mainly due to the increase in the operational revenue of the Company in the financial year 2019-20.

The Company has made a significant progress in the export market by making a growth of 38.50%.

There is no change in the nature of business of the Company and it continues to operate only in one segment i.e. Pharmaceutical.

The financial results and the results of operations, including major developments have been further discussed in detail in the Management Discussion and Analysis section.

### TRANSFER TO RESERVES:

The Board of Directors of the Company has decided not to transfer any amount to the Reserves for the year under review.

### DIVIDEND:

Your Directors are pleased to recommend a dividend of ₹. 0.05/- on every equity share of face value ₹. 1/- each (5%) for the financial year ended March 31, 2020. The dividend if approved at the 36<sup>th</sup> Annual General Meeting (AGM), will be paid to those shareholders whose name appear on the Register of Members of the Company as on the Book Closure date as specified in the Notice to the AGM.

The total dividend pay-out would amount to approximately ₹. 38,91,500. In view of the changes made under the Income-tax Act, 1961, by the Finance Act, 2020, dividends paid or distributed by the Company shall be taxable in the hands of the Shareholders. Accordingly, your Company shall make the payment of the Final Dividend after deduction of tax at source.

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.

### SCHEME OF AMALGAMATION

The Board of Directors of the Company at its Meeting held on March 25, 2019 approved the Scheme of Amalgamation of Gufic Lifesciences Private Limited with the Company and their respective shareholders and creditors ("Scheme"). The Company has also received No Objection from BSE Limited and National Stock Exchange of India Limited vide their Observation letters both dated April 15, 2020 for the said Scheme.

Further, application for approval of the said Scheme has been filed before the Hon'ble National Company Law Tribunal, Mumbai bench ("NCLT") and as per the directives of NCLT, the meeting of shareholders for approval of the Scheme is scheduled to be held on September 15, 2020.

#### **MATERIAL CHANGES & COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY:**

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year and the date of this report. There has been no change in nature of business of the Company.

#### **CHANGES IN CAPITAL STRUCTURE:**

During the year under review, neither there have been any change in the authorized, issued, subscribed and paid up share capital of the Company nor the Company have re-classified or sub-divided its Share Capital.

Further, neither the Company have issued any shares with differential voting rights nor granted any stock options nor sweat equity shares nor made any provision of money for purchase of its own shares by employees or by trustees for the benefit of employees, in the financial year ending March 31, 2020.

#### **DIRECTORS & KEY MANAGERIAL PERSONNEL:**

##### **I KEY MANAGERIAL PERSONNEL:**

During the year under review, there were no changes in the Key Managerial Personnel of the Company.

##### **2. CESSATION/ EXPIRY OF DIRECTORSHIP TENURE:**

Mr. Sharat S. Gandhi tendered his resignation as an Independent Director of the Company on March 30, 2019 effective from April 01, 2019. The Board places on record its sincere appreciation for Mr. Gandhi's contribution and guidance provided during his tenure as a Director and a Member on various Committees of the Board.

The term of Mr. Jagdish D. Shah as an Independent Director of the Company ended on September 25, 2019 and he had conveyed his unwillingness to be re-appointed as the Director of the Company. The Board places on record its sincere appreciation for Mr. Shah's contribution and guidance provided during his tenure as a Director and a Member on various Committees of the Board.

The term of Mrs. Hemal M. Desai, Whole time Director of the Company is expiring on September 30, 2020 and she has conveyed her unwillingness to be re-appointed as the Director of the Company. Accordingly, the tenure of Mrs. Hemal M. Desai as Whole Time Director of the Company shall end on September 30, 2020.

##### **3. RETIREMENT BY ROTATION:**

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, Mr. Bal Ram Singh, Non-Executive Non-Independent Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

##### **4. APPOINTMENT:**

The Board of Directors based on the recommendation of the Nomination & Remuneration Committee and after considering the knowledge, experience and skill set in the field of medicine, had appointed Mr. Rabi Narayan Sahoo as an Additional Independent Director of the Company for a term of three years effective from June 29, 2019, subject to the approval of the shareholders. The shareholders of the Company at its 35<sup>th</sup> Annual General Meeting held on September 30, 2019 approved the said appointment.

The shareholders at its 35<sup>th</sup> Annual General Meeting held on September 30, 2019 re-appointed Mr. Jayesh P. Choksi as Chairman & Managing Director and Mr. Pranav J. Choksi as Whole Time Director of the Company for a period of five years each, commencing from April 01, 2020 and Mr. Shreyas K. Patel and Mr. Gopal M. Daptari for a further period of five years commencing from September 26, 2019 and November 23, 2019 respectively.

The Board of Directors at its Meeting held on December 23, 2019, on the recommendation of the Nomination & Remuneration Committee had appointed Dr. Anu Sanjiv Aurora as an Additional Independent Director of the Company for a consecutive period of two years with immediate effect, subject to the approval of the shareholders at the ensuing Annual General Meeting. The Board recommends her appointment.

The term of Mr. Shrirang V. Vaidya as an Independent director and Dr. Bal Ram Singh as a Non-Executive, Non Independent director expires on February 11, 2021 and May 28, 2021 respectively. Pursuant to the provisions of section 149 and 152 of the Companies Act 2013 and on the recommendation of the Nomination and Remuneration Committee, the Board recommends re-appointment of the above-mentioned Directors and the details of which are mentioned in the Notice to the ensuing General Meeting.

In the opinion of the Board, the Independent Directors appointed / re-appointed during the year under review are persons of high repute, integrity and possess the relevant expertise and experience (\*including the proficiency) in their respective field.

\*As per Ministry of Corporate (MCA) Notification dated 22nd October, 2019, Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, the Independent Director need to give proficiency test online with the Indian Institute of Corporate Affairs within one year from the date of inclusion of his name in the Independent Directors data bank. Accordingly, your Directors have registered their name in the said data bank and they shall be appearing for the online proficiency test within the prescribed timelines.

# GUFIC BIOSCIENCES LIMITED

## **DECLARATION BY INDEPENDENT DIRECTORS:**

The Company have received declaration/confirmation 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 under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and that there is no change in the circumstances which may affect their status as Independent Director during the year under review.

The Independent Directors have also confirmed that they have complied with Schedule IV of the Act and the Company's Code of Conduct.

In the opinion of the Board, the Independent Directors of the Company fulfil the conditions specified under the Act and Listing Regulations and are independent of the management.

## **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 including the senior management of the Company in the course of day to day business operations of the Company. The Company believes in "Zero Tolerance" against bribery, corruption and unethical dealings/ behaviours of any form and the Board has laid down the directives to counter such acts. The Code can be accessed from the website of the Company i.e., [www.gufic.com](http://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.

## **FAMILIARIZATION PROGRAMME OF INDEPENDENT DIRECTORS:**

In compliance with the requirements of Listing Regulations, the Company has put in place a Familiarization Programme for the Independent Directors to familiarize them with their roles, rights and responsibilities as Directors in the Company.

Through the Familiarization programme, the Company apprises the Independent Directors about the Company's operations, Corporate strategy, business plans, regulatory, internal control system and critical aspects which would enable them to effectively discharge responsibilities and functions conferred on them.

The details of the familiarization programme imparted to Independent Directors have been put on the website of the Company. The link can be accessed at <http://gufic.com/wpcontent/uploads/2020/08/Familiarisation%20Programme%20for%20independent%20directors.pdf>

Further, at the time of the appointment of an Independent Director, the Company issues a formal letter of appointment outlining his/her role, function, duties and responsibilities. The format of the letter of appointment is available on our website, at <http://gufic.com/investor/Appointment.pdf>

## **NUMBER OF MEETINGS OF THE BOARD**

During the year under review, Eight Board 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 Listing Regulations.

## **COMMITTEES OF THE BOARD**

The Board currently has four committees, namely, the Audit Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee and the Stakeholders Relationship Committee. All the recommendations made by the Committees of Board including the Audit Committee were accepted by the Board. The details of the Committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance Report that forms part of this Annual Report.

## **AUDIT COMMITTEE**

The composition of the Audit Committee of the Company is in compliance with the provisions of Section 177(8) of the Companies Act, 2013 and Regulation 18 of the Listing Regulations. The functions performed by the Audit Committee, details of meetings held and attendances thereat are given in the Corporate Governance Report, which forms part of this Annual Report. The Board have accepted all the recommendations made by the Audit Committee.

## **POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS**

For the purpose of selection of any Director, the Nomination & Remuneration Committee identifies persons of integrity who possess 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, Listing Regulations and all other applicable laws in force.

In compliance with the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, the Board has on the recommendation of the Nomination & Remuneration Committee framed a policy for selection, appointment and remuneration of Directors & Senior Management. The details of the Policy are disclosed in the Corporate Governance Report, which forms a part of this Report.

The policy lays down the basis for payment of remuneration to Executive and Non-executive Directors (by way of sitting fees and commission, if any.), Key Managerial Personnel, Senior Management and other employees. The policy also provides the criteria for determining qualifications, positive attributes and Independence of Director and criteria for appointment of Key Managerial Personnel / Senior Management and performance evaluation which are considered by the Nomination and Remuneration Committee and the Board of Directors while making selection of the candidates.

The policy can be accessed on the following link: <http://gufic.com/wpcontent/uploads/2016/08/Appointment of DirectorsKMP201718.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 Rules framed there under and the Corporate Governance requirements as prescribed by Listing Regulations.

The performance evaluation of Individual Directors, Committees of the Board and the Board as a whole was carried out, after seeking inputs from all Directors, inter-alia covering different aspects viz. composition and structure of the Board, responsibilities, attendance including participation of the Directors at the Board and Committee meetings, observance of governance, functions and duties, quality of deliberations and effectiveness of the procedures adopted by the Board and all other factors based on the criteria and framework approved by the Nomination and Remuneration Committee.

The Board of Directors were satisfied with the evaluation process and expressed satisfaction over performance of individual directors, Board as a whole and of the Board Committees, as revealed by the evaluation reports.

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.

Manner in which the evaluation has been carried out and matters incidental thereto, have been detailed in the Corporate Governance Report, which forms part of this report.

#### **PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed herewith as **"Annexure- A"**.

Further, the information as required under Rules 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, pertaining to the names and other particulars of employees is available for inspection at the Corporate office of the Company and pursuant to the proviso to Section 136 (1) of the Act, the report and the accounts are being sent to the members excluding this. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary/Compliance Officer at the Corporate office address of the Company .

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance with the provisions of Section 134(3) (c) read with Section 134(5) of the Companies Act, 2013 and to the best of their knowledge and belief, and according to the information and explanations provided to them, your Directors hereby confirm: -

- a. In the preparation of the annual accounts/financial statements for the year ended March 31, 2020, the applicable Indian Accounting Standards have been followed along with proper explanations relating to material departures, if any;
- b. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year March 31, 2020 and of the profit of your Company for that year;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. The Directors had prepared the annual financial statements on a going concern basis;
- e. The Directors had laid down proper internal financial controls and that the same are adequate and were operating effectively; and
- f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of fraud, error reporting mechanisms, accuracy and completeness of the accounting records, and timely preparation of reliable financial disclosures. The Internal Auditor review the effectiveness and efficiency of these systems and procedures to ensure that adopted policies and procedures are followed and implemented properly.

Your Company is committed to ensure an effective internal control environment, commensurate with the size and complexity of the business, which provides an assurance on compliance with internal policies, applicable laws, regulations and protection of resources and assets.

# GUFIC BIOSCIENCES LIMITED

## REPORTING OF FRAUDS

During the year under review, the statutory auditors, internal auditor, secretarial auditor and cost auditor have not reported to the Audit committee, any instances of fraud committed against the Company by its officers or employees under Section 143 (12) of the Companies Act, 2013, the details of which would need to be mentioned in the Board's report

## SUBSIDIARY/ JOINT VENTURE /ASSOCIATE COMPANIES

During the year under review, the Company did not have any subsidiary, joint venture or associate Company. Hence, statement containing salient features of financials of subsidiaries pursuant to Section 129 of the Act read with Rule 5 and 8(1) of the Companies (Accounts) Rules, 2014 in Form AOC-1 is not applicable to the Company.

## DEPOSITS

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

During the year under review, the Company had not given any loan or provided any guarantee or given any security with respect to any loan given or invested by way of subscription, purchase or otherwise, the securities of any other body corporate as per Section 186 of the Companies Act, 2013.

## UNCLAIMED DIVIDEND/SHARES

In pursuance of Regulation 39 read with Schedule VI of the Listing Regulations, the details of shares lying in unclaimed suspense account and unclaimed shares/dividend transferred to IEPF, are provided in the Corporate Governance Report, that forms part of this Report.

## RELATED PARTY TRANSACTIONS

In lines with the requirement of the Companies Act, 2013 and 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/wpcontent/uploads/2016/08/POLICY-ON-RELATED-PARTY-TRANSACTIONS.pdf>

Prior omnibus approval was obtained for Related Party Transactions (RPTs) from Audit Committee at the beginning of the financial year for transactions likely to be entered with the related parties. All RPTs were placed before the Audit Committee for review and approval on quarterly basis. All the RPTs affected during the year are disclosed in the notes to Financial Statements.

There are no material related party transactions which are not in ordinary course of business and which are not on arm's length basis and hence there is no information to be provided as required under Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

## 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 for the financial year 2019-20 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, on the recommendation of the CSR Committee are available on the website of the Company and can be accessed through the web link: <http://gufic.com/wp-content/uploads/2016/09/CorporateSocialResponsibilityPolicy.pdf>

Your Company continues to contribute to its CSR activities in accordance with the CSR policy. During the year under review, the Company continued several initiatives under the CSR program focusing on its thrust areas i.e., Community Healthcare, Sanitisation & Hygiene; 2. Education, Knowledge & Research and 3. Social Care and Concern, through various agencies permitted under the Act.

The details of the CSR activities undertaken by the Company during the year under review, is annexed to this report as **"Annexure B"**

## CONSERVATION OF ENERGY

### I. Steps taken by the Company or impact on conservation of energy:

- Energy saving being a prime objective for all new procurement and modification i.e the machines/equipments purchased by the Company are Energy efficient and controlled by Variable Frequency Drive (VFD) so that the power is consumed as per the requirement of each equipment. Automatisation leads to less human intervention.
- Have Energy Management System in place
- Uses Online Energy Monitoring System for monitoring day to day energy consumption and an online report is generated in which day to day consumption is being monitored and compared with production so as to analyse and reduce excess/additional uses of power.
- Replaced Conventional CFL lights with LED lights in phased manner. Primarily all new purchases of lights are done of LED lights.
- Installation of Steam Strap on main stream line to improve quality of steam.

- Ensured All Air Handling Unit (AHU) system is with Variable frequency drives (VFD) for getting required consumption of Power.
- Improvisation of power factor
- Treated high salt content in waste water system
- Harmonisation of best energy conservation practices.
- Improvisation of power factor
- Energy audit at the factory premises by external agency and measures taken.

## 2. Steps taken for utilizing alternate source of energy:

- Conventional fuel like furnace oil /high speed diesel are replaced with biomass briquettes with Eco-friendly fuel for Steam generation
- Usage of diesel generator (DG Set) to generate electrical energy.
- Reduction in energy consumption and cost

## 3. Capital investment on energy conservation equipment:

During the year under review, the Company has not made any specific capital investment on energy conservation.

### TECHNOLOGY ABSORPTION:

#### (I) Efforts made towards technology absorption;

- New product development using newer formulations as well as new molecules and drugs
- Updating and improving the processes and systems used for existing products
- Developing and introducing new technologies for enhancing efficacy, bio-availability and the potency of the existing as well as new products
- Developing and launching new drug delivery systems with a special focus on Lyophilized products
- Strategic collaborations with other independent teams for introducing new products and technologies
- Filing of appropriate patents and function as a link between the management and the IP lawyers
- Filed multiple Process Patents for many life saving drug injections
- Filed Herbal Patents for herbal treatment for chronic ailments
- Stability testing of the current as well as new products with a focus on quality and bio-availability
- Development and scale-up of new formulations for existing and newer active drug substances using innovative and advanced processing equipment.

#### (ii) the benefits derived as a Result of R & D:

- Launched 8 New products in the market in the financial year 2019-20.
- About 12 products are ready to be commercialized.
- About 30 New products are in projection & development of many products is already started.
- Development of new drug delivery systems and devices to improve patient benefit.
- Development of products for import substitution.

#### (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year);

Details of technology imported	Year of Import	whether the technology been fully absorbed;	if not fully absorbed, areas where absorption has not taken place, and the reasons there of
Botulinum Neurotoxin A EP/BP	2018-19	Yes	Product under stability
Botulinum Neurotoxin A for Injection EP/ BP	2018-19	Yes	Product under stability
Recombinant FSH	2019-20	No.	Under development

#### (iv) the expenditure incurred on Research and Development :

Particulars	Rs. in lakhs	
	2019-20	2018-19
Capital	38.36	179.96
Recurring	200.07	207.75
<b>Total</b>	<b>238.43</b>	<b>387.71</b>



# GUFIC BIOSCIENCES LIMITED

## FOREIGN EXCHANGE EARNINGS AND OUT-GO:

Earnings in foreign currency: ₹ 4183.29 lakhs

Out-go in foreign currency: ₹ 7859.28 lakhs

## RISK MANAGEMENT:

Your Company believes that managing risks helps in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for mitigating controls and reporting mechanism of such risks. The risk management framework is reviewed periodically by the Audit Committee.

Your Company has adopted a risk management policy for identification, evaluation and mitigation of business risk and threats. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. Various risk traced by the Company during the financial year 2019-20, were minimized to its best. The risk management policy adopted by the Company can be accessed on the Company's website [link:http://gufic.com/wp-content/uploads/2016/08/Risk-Management-Policy-2017-18.pdf](http://gufic.com/wp-content/uploads/2016/08/Risk-Management-Policy-2017-18.pdf)

## VIGIL MECHANISM / WHISTLE BLOWER POLICY

As stipulated by Section 177(9) of the Act read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 22 of Listing Regulations, 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 and to provide adequate safeguards against victimization of persons who may use such mechanism. The Vigil Mechanism provides for direct access to the Chairperson of the Audit Committee. The details of the policy are made available on the website of the Company at the link: <http://gufic.com/wp-content/uploads/2016/08/WHISTLE-BLOWER-POLICY.pdf>. The policy is reviewed by the Audit Committee from time to time.

No concerns or irregularities have been reported by employees/directors till date.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

During the year under review, there have been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operation in future except admission of petition by the Hon'ble National Company Law Tribunal, Mumbai Bench ('NCLT'), filed by one of the Operational creditors for initiating Corporate Insolvency Resolution Process against the Company and appointment of the Interim Resolution Professional in the matter vide its order dated October 22, 2019 and October 25, 2019, respectively. However, the said orders were recalled by the NCLT vide its order dated December 03, 2019.

Copy of the said orders is available on the website of the Company. Stage-wise developments in the aforesaid process were duly intimated to the Stock Exchanges from time to time.

Yours Directors state that the Company was fully solvent during the said period and the petition filed by the said Operational Creditor was solely due to commercial dispute.

## AUDITORS & AUDIT REPORT

### (I) STATUTORY AUDITOR:

The Report given by M/s. S H R & Co., Chartered Accountants, (FRN: 120491W), Statutory Auditors on the financial statements of the Company for the Financial year 2019-20 is part of Annual Report. The Notes on financial statements referred to in Auditor's Report are self explanatory and do not call for any further comments. There has been no qualification, reservation or adverse remark in their Report on Financial Statement for FY 2019-20.

At the 35<sup>th</sup> Annual General Meeting held on September 30, 2019, the shareholders of the Company had approved re-appointment of M/s. S H R & Co. as the Statutory Auditors for a period of four years commencing from the conclusion of the 35<sup>th</sup> Annual General Meeting until the conclusion of 39<sup>th</sup> Annual General Meeting. However, M/s. S H R & Co., tendered their resignation vide letter dated August 13, 2020 effective from the date of approval of the Un-Audited financial results for the quarter ending June 30, 2020 by the Board of Directors and the said resignation was accepted and noted by the Audit Committee and Board at its respective Meetings held on August 18, 2020.

The Board of Directors of the Company at its meeting held on September 14, 2020 appointed M/s. Mittal Agarwal & Co., Chartered Accountants, Mumbai (Registration No. ICAI FRN: 131025W) as Statutory Auditors, to fill the casual vacancy caused due to resignation of M/s. S H R & Co., Chartered Accountants, as Statutory Auditors of the Company and to hold office from September 21, 2020 till the conclusion of ensuing Annual General Meeting (AGM) and for a period of 5 years commencing from the conclusion of the ensuing AGM till conclusion of the AGM to be held for the financial year 2024-25, subject to the approval of the shareholders.

M/s. Mittal Agarwal & Co. have provided their consent to act as Statutory Auditors of the Company and a certificate in accordance with Sections 139, 141 and other applicable provisions of the Act to the effect that their appointment, if made, shall be in accordance with the conditions prescribed and that they are eligible to hold office as Statutory Auditors of the Company. Also, a confirmation of holding a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India has been received from the proposed Auditor, in pursuance of the Listing Regulations.

Necessary resolution and explanation thereto have been provided in the AGM notice seeking approval of members.

### (ii) COST AUDITOR:

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 to audit the cost records maintained by the Company. The Board, has on recommendation of Audit Committee, appointed M/s. Kale & Associates, Cost Accountants, Mumbai, (Firm Registration No. 101144) to audit the cost records of the Company for the financial year 2020-21. As required under the said Act and the Rules made there under, the remuneration payable to the Cost Auditors is required to be ratified by the shareholders at the ensuing Annual General Meeting. Accordingly, a resolution seeking ratification by members for their remuneration, forms part of the Notice convening 36<sup>th</sup> Annual General Meeting. The Board recommends the same for approval of Members.

The Company is required to maintain Cost Records as specified by the Central Government under Section 148(1) of the Act and accordingly, such accounts and records are made and maintained by the Company.

In compliance with Section 148(6) of the Act and Rule 6(6) of the Companies (Cost Records and Audit) Rules, 2014, Cost Audit Report in the Form CRA - 4 (XBRL mode) for the financial year ended March 31, 2019, was filed by the Company with the Central Government on April 11, 2020.

### **(iii) SECRETARIAL AUDITOR**

Pursuant to provisions of section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI Listing Regulations, the Company had appointed Mr. Gajanan D. Athavale, a Practising Company Secretary to undertake the Secretarial Audit of the Company for the financial year 2019-20. The Secretarial Audit Report in the prescribed Form No. MR – 3 is annexed to this Report as 'Annexure – C'.

The explanation of the Company on the observation mentioned in the Secretarial Audit Report are as follows:

- With regards to delay in submission of financial results by the Company for the financial year ended March 31, 2019, the same was delayed by one day as the Board Meeting for approval of said financial results commenced at 7.00 pm on May 30, 2019, which was the last day for submission and concluded on the next day i.e., May 31, 2019 at 5.20 a.m
- With regards to delay in submission of financial results by the Company for the quarter and half year ended September 30, 2019, the same was delayed by the Interim Resolution Professional (IRP) who was appointed in the Company w.e.f. October 25, 2019 by the Hon'ble National Company Law Tribunal, Mumbai bench, as he needed time to get acquainted with the accounts of the Company. The said financials were approved by the Board of Directors on December 03, 2019 after the IRP was discharged from his role and responsibilities and the Management of the Company was restored and continued to be in function.
- With regards to Spending the amount earmarked for Corporate Social Responsibility activities outside local area where the Company have its Registered & Corporate office i.e., Mumbai (Maharashtra) and factory i.e., Navsari (Gujarat), the Company operates PAN India and accordingly the Company have contributed in the CSR activities throughout India in the financial year 2019-20

Except as stated above, there were no qualification, reservation or adverse remark in the Secretarial Audit Report for the year ending March 31, 2020.

### **(iv) INTERNAL AUDITOR:**

As per section 138 of the Companies Act, 2013, the Company is required to have Internal Auditor. In this connection, the Board of Directors of the Company has on the recommendation of the Audit Committee, approved the appointment of Mrs. Shilpa Bansal, Chartered Accountants as the Internal Auditor of the Company for the financial year 2020-21.

### **ANNUAL SECRETARIAL COMPLIANCE REPORT**

Mr. Gajanan D. Athavale, Practising Company Secretary, has issued Annual Secretarial Compliance Report for the financial year ended March 31, 2020, which confirms that the Company has maintained proper records as stipulated under various Acts, Rules and Regulations and that no action has been taken against the Company or promoters/ directors by the SEBI/Stock Exchanges, except as stated in the said Report.

### **COMPLIANCE WITH SECRETARIAL STANDARDS**

During the year under review, the Company has complied with the applicable mandatory Secretarial Standards, as amended from time to time, issued by the Institute of Company Secretaries of India.

### **EXTRACT OF ANNUAL RETURN:**

The extract of the Annual Return as required under sub-section (3) of Section 92 of the Act in form MGT-9 is annexed herewith as "Annexure D" and is also made available on the website of the Company at the link: <http://gufic.com/investor/Annual%20Return-MGT-9%20of%20FY%202019-20.pdf>

### **MANAGEMENT DISCUSSION & ANALYSIS REPORTS**

The Management Discussion and Analysis as prescribed under Part B of Schedule V read with Regulation 34(3) of the SEBI Listing Regulations is provided in a separate section and forms part of this Report.

### **BUSINESS RESPONSIBILITY REPORT**

As stipulated by Regulation 34(2)(f) of the SEBI Listing Regulations, the Business Responsibility Report forms part of this Annual Report and the same can also be accessed from the website of the Company i.e., [www.gufic.com](http://www.gufic.com)

### **CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

Your Company believes Corporate Governance is at the core of stakeholder satisfaction. As stipulated by Regulation 34(3) read with Schedule V(C) of the SEBI Listing Regulations, Corporate Governance Report forms part of this Annual Report. The Report on



# GUFIC BIOSCIENCES LIMITED

Corporate Governance issued by Mr. Deep Shroff, partner of M/s. S H R & Co., Chartered Accountant (FRN: 120491W) as prescribed under Schedule (E) of the SEBI Listing Regulations, is annexed to this Annual Report.

## PREVENTION OF SEXUAL HARASSMENT AT WORK PLACE

Your Company has zero tolerance towards sexual harassment at work place and adhere to the safety of the women employees at the Company. Your Company believes in providing opportunity and key position to women professionals. It is the continuous endeavor of the Board of Directors to create a discrimination and harassment free environment for all its employees.

In compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has formulated and implemented a policy on prevention, prohibition and redressal of complaints related to sexual harassment at workplace.

An Internal Complaints Committee (ICC) has been duly constituted by the Company for the employees of the Company at its Corporate office situated at Mumbai, Maharashtra and manufacturing facility at Navsari, Gujarat in compliance with the said Act to redress complaints regarding sexual harassment. During the year under review, no complaints pertaining to sexual harassment was received by the Company. The Company has submitted the Annual Returns to the local authorities where the ICC is constituted, as required under the above mentioned Act.

## GREEN INITIATIVE

The Ministry of Corporate affairs had taken the Green Initiative in Corporate Governance by allowing paperless compliances by Companies through electronic mode. Your Company supports the Green Initiative and has accordingly decided to send all communications to its shareholders to their respective registered e-mail addresses.

Your Company appeals to you, its shareholders, who are yet to register your e-mail addresses that they take necessary steps for registering same so that you can also become a part of the initiative and contribute towards a Greener environment.

## HUMAN RESOURCES

The Company takes pride in the commitment, competence and dedication of its employees in all areas of business. Also, we believe the organisation's achievements are an outcome of efforts, dedication and conviction demonstrated by its people. Human Resource agenda encourages high performance culture with focus on Employee Safety and welfare, Employee development and productivity.

The HR processes are continuously evolving and aligning with the changing business requirements to create a culture of continuous learning and innovation among our employees. Your Company continued to conduct various employee benefit, recreational and team building programs, social gatherings to foster team spirit.

Industrial relations were cordial throughout the year. Health and Safety of our work force is of prime importance to us and we maintain highest standards in all the plants with adoption of best technologies and manufacturing practices which are at par with global standards.

## PREVENTION OF INSIDER TRADING

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, the Company has formulated a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting by Designated Person and Immediate Relative(s) of Designated Person of the Company, to put in place a framework for prohibition of insider trading in securities and to strengthen the legal framework thereof. The Code includes obligations and responsibilities of Designated Persons, maintenance of the digital database, mechanism for preventing insider trading and handling of Unpublished Price Sensitive Information (UPSI), disclosure of UPSI for legitimate purpose; prohibited and permitted transactions, consequence for violation etc.

The code can be accessed on the website of the Company at the web link: <http://gufic.com/wp-content/uploads/2016/08/CodeoffairDisclosure.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.

## ACKNOWLEDGEMENTS

Your Directors commend all employees of the Company for their dedication, commitment, hard work and contributions. The Board wishes to express their deepest gratitude to various regulatory authorities, medical professionals, suppliers, clients, business partners, bankers, and other statutory authorities at all levels for their continuous co-operation and assistance.

The Directors also acknowledge the whole-hearted support and faith the investors continue to repose in the Company.

Place: Mumbai  
Date: 14<sup>th</sup> September, 2020

For and on behalf of the Board of Directors

Jayesh Choksi  
Chairman & Managing Director  
DIN 00001729