MANAGEMENT DISCUSSION AND ANALYSIS

A)INDUSTRY STRUCTURE AND DEVELOPMENTS

Our Company operates in single segment i.e., Pharmaceutical. The pharmaceutical industry is one of the world's fastest growing industries and among the biggest contributors to the world economy. It plays a unique role in improving the lives of patients. Its role has become far more critical amidst the fight against COVID -19 pandemic.

GLOBAL PHARMACEUTICAL INDUSTRY

According to the IMF, global economic growth slowed down from 3.6% in 2018 to 2.9% in 2019 (Source: IMF). Post the pandemic breakout globally in the first quarter of 2020, world economies were forced to lockdown. Consequently, global economic output is likely to decline by 3% in 2020.Pursuant to outbreak of coronavirus disease (Covid - 19) worldwide and its declaration as global pandemic, it has caused unprecedented disruption in global economic activity, reflected in severely weakened macro-economic indicators.

Global pharmaceutical market is expected to grow in the upcoming years despite recent slowdown due to pandemic in key markets across the globe. The reasons are simple: aging and growing population, rising income levels, and emerging medical conditions and emergence of new diseases. The global market for pharmaceuticals reached $1.2 trillion in 2018, up $100 billion from 2017, according to the Global Use of Medicines report from the IQVIA Institute for Human Data Science. Going forward, the global market will grow by 4-5% CAGR, reaching $1.5 trillion (based on invoice pricing). IQVIA further sees spending in China (now the world's second largest market) at $137 billion in 2018, and projects growth at 3-6% CAGR through 2023.

As per IMS Institute for Healthcare Informatics, global spending on medicines will reach $1.4 trillion by 2020, an increase of 29-32% from 2015 compared to an increase of 35% in the prior 5 years and spending growth will be driven by brands in developed markets and increased usage in pharmerging markets, while being offset by patent expiries. Most developed markets are expected to continue investments in specialty medicine and new branded product spending at a lower growth rate of 1-4%, given that price and volume growth will slow down owing to pricing pressures and loss of exclusivity on patented medicines. In volume-driven emerging markets, medicine spending is expected to grow 5-8%.

As per IQVIA March 2020 on “Global Medicine Spending and Usage Trends”, global medicine spending is projected to increase at 2–5% annually and exceed $1.1 trillion in 2024 and Most developed and pharmerging markets will see slowing rates of growth in the next five years compared to the last five, with rates between 1- 4% and 5-8%, respectively. Further, as per the Report, developed markets are expected to see slowing brand growth despite increases in specialty medicine spending, as greater brand losses of exclusivity (LOE) offset higher new brand product spending, and price and volume growth both slow.

The growth in this market is predicted on the basis of various factors like market drivers, current and upcoming trends, current growth pattern, and market challenges. This growth is fuelled by the growing and ageing population in key markets. As per World Population Prospects by United Nations, the worldwide population is likely to cross 9.3 billion by 2050 and around 21% of this population is expected to be aged 60 and above. Apart from ageing and rising population the improvements in purchasing power and access to quality healthcare and pharmaceuticals to poor and middle-class families worldwide also is driving the growth of global pharmaceutical industry. Another aspect which is leading this growth is rising focus of pharmaceuticals companies to tap the rare and speciality diseases market. Innovations in advanced biologics, nucleic acid therapeutics, cell therapies and bio electronics & implantable has attracted investments in the industry by even non-pharma companies like Facebook, Qualcomm etc. which is also driving the global pharmaceuticals industry growth.

On the other hand, adoption of cost control policies along with tightening of rules by governments in key markets are expected to impact the growth prospect of the global pharmaceuticals industry. Pharmaceuticals companies are forced to reduce their research and development (R&D) spending due to slowdown of growth in last few years which is also expected to hamper growth of the global pharmaceutical market as new drugs revenue form large part of pharmaceutical firm's revenue due to exclusivity of the drug. Apart from this generics pharmaceutical market is facing decreasing return on investment due to price erosion in key markets which is forcing many firms to look for other avenues and markets to sustain growth.

The global pharma companies played a very important role in the area of development of new drugs which are very effective and safe. In spite of challenges from regulatory agencies, ethical committees for clinical trials, long gestation periods, one out of thousand success rates, billions of dollars investment for each molecules, companies continue to invest in research to bring new molecules for challenging diseases. As per IMS, global pharma industry is classified into developed markets and emerging markets. Developed markets like North America, Europe, Australia and Japan contribute to the major share in terms of value due to strong economy, universal healthcare coverage, and focus on the health as it is part of key policies in these countries.

As an increasing number of processes and tools become digitized and more patient-centric, patient expectations grow. In order to gain a better understanding of the customer experience, life sciences companies should keep patients at the core, and start thinking “outside in” when designing value chains. They should create coherent and meaningful experiences through the entire chain of patient interactions—from R&D to product launch and commercialization phases. When patient-centricity is engrained into a company's culture, a lot of new creative ideas may be uncovered to create value. Digital technologies are being leveraged significantly for patient-to-doctor connect currently since a face-to-face consultation may not be possible due to COVID-19. It remains to be seen if this trend will continue in the post COVID-19 period also.

By end of 2020 the Global pharmaceutical market is anticipated to be around US $1.3 trillion, with the countries like - Brazil, China, India, Indonesia, Mexico, Russia and Turkey - accounting around for one fifth of global pharmaceutical sales

Some notable trends include-

- incidence of chronic conditions in the developing world will increasingly resemble those of the developed world.
- Due to pandemic crisis –self-reliance and investment in research of antimicrobials, vaccines and preventive measure likely to rise.
- Health care will shift in focus from treatment to prevention.
- In developed markets, there will be newer treatment options available for rare diseases and cancer, though they may come at a higher cost to patients in some countries.
- Looming pricing reforms will lead to cost pressure and expanding out-sourcing
- Biologicals/peptides will increase its share in the overall pharma market space
- Lyophilisation as a concept will continue to grow globally as the process has benefits to improve quality and shelf life of injectable drugs

INDIAN PHARMA INDUSTRY – AN OVERVIEW

India is a prominent and rapidly growing presence in global pharmaceuticals. It is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume, and also supplies 62% of global demand for vaccines. India ranks 3rd worldwide for production by volume and 14th by value. India is the only country with largest number of US-FDA compliant Pharma plants (more than 262 including APIs) outside of USA. India has more than 2000 WHO-GMP approved Pharma Plants, 253 European Directorate of Quality Medicines (EDQM) approved plants with modern state of the art Technology. India is the source of 60,000 generic brands across 60 therapeutic categories and manufactures more than 500 different Active Pharmaceutical Ingredients (APIs). The API industry is ranked third largest in the world contributing 57% of APIs to prequalified list of the WHO. The country is home to more than 3000 pharma companies with a strong network of over 10,500 manufacturing facilities. The domestic pharmaceuticals market turnover reached $20.03 billion in 2019, upto 9.3% from 2018, growing as penetration of health insurance and pharmacies rise.[1]

India supplies affordable and low-cost generic drugs to millions of people around the globe and operates more than 250 US Food and Drug Administration (FDA) and UK Medicine and Healthcare products Regulatory Agency (MHRA) approved plants. Furthermore, its active pharmaceutical ingredients (APIs) market is forecasted to attain a revenue of $6 billion by the end of 2020.According to a report on the Indian pharmaceutical industry, the source of APIs is a crucial part of the pharma industry's strategic plan to combat the COVID-19 pandemic. The majority of APIs for generic drug manufacturing across the globe are sourced from India, which also supplies approximately 30 percent of the generic APIs used in the US. However, Indian manufacturers rely heavily on APIs from China for the production of their medicine formulations, procuring around 70 percent from China, the top global producer and exporter of APIs by volume. The impact of the SARS-CoV-2 corona virus outbreak, COVID-19, has exposed the dependency of the Indian pharma sector on China for its API procurement. Supply chain disruptions and product exportation restrictions from India resulted from manpower shortages in China's manufacturing plants. This was caused by the quarantine policies adapted and adopted by different provincial governments in China in response to the virus. Supplies were further impacted by the disruption of logistic and transportation systems, restricting access and movement of products to and from ports.

Revenue from India in FY2020 was INR 28.9 billion, representing a growth of 11% compared to the previous year. According to the IQVIA in its report for the12-month period ended 31 March 2020,our growth has been 11.4% versus a market growth of 10.8%. Our market rank as perMAT (March 2020) remains at 13, same as that of last year. Growth in this market has been on account of improvement in the base business performance led by an in crease in volumes and price in certain products as well as launch of new products.

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

1.https://www.investindia.gov.in/sector/pharmaceuticals

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.

Indian pharmaceutical sector is expected to grow to US$ 100 billion, while medical device market is expected to grow US$ 25 billion by 2025. Pharmaceuticals export from India stood at US$ 20.70 billion in FY20. Pharmaceutical export include bulk drugs, intermediates, drug formulations, biologicals, Ayush and herbal products and surgical. 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 y-o-y to reach US$ 100 billion by 2025. India's domestic pharmaceutical market turnover reached Rs 1.4 lakh crore (US$ 20.03 billion) in 2019, up 9.8 per cent y-o-y from Rs 129,015 crore (US$ 18.12 billion) in 2018.[2]

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.[3]

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.[4]

OPPORTUNITIES AND CHALLENGES

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 pandemic COVID-19 period have also brought with it, its own sets of opportunities and challenges for pharmaceutical industries.

Opportunities:

- Global efforts to reduce healthcare costs for pharma companies who have the ability to supply high-quality pharmaceutical products at affordable prices
- Rising global demand for generics
- Scope for increase in specific Anti-Viral drugs like Famcyclovir, Remdesivir and Thymosin Alpha for COVID-19 patients
- Scope for defined protocol drugs such as Azithromycin, Doxycycline, Hydroxychloroquin, Tocilizumab etc.
- Preventive medicines such as Nutraceuticals / Immunity booster drugs would be the major growth driver during and post pandemic period
- Tele-Medicines, Biological Medicines / Peptides would be the major drivers of growth
- Chronic / Sub-Chronic and Advanced Acute Care Drugs would contribute substantially to the future growth
- Significant export opportunities

Challenges:

- **Manufacturing and Supply Chain:** Disruption caused by Lock-down and non-availability of API and Manpower contributed to the overall impact on the slowdown in the short run. However, most companies geared up on this front gradually to improve the supply chain.
- **Healthcare Professional – Pharma Interaction:** The Pandemic significantly reduced the Pharma interaction with Healthcare professionals and the various engagement programs. This impact is not expected to fully recover even after the crises
- **Patients and Prescriptions:** The Pandemic dramatically reduced the number of patients seen by Healthcare professionals. Fewer patients seen by Healthcare professional (for non-COVID related conditions) resulted in decline in the number of Prescriptions. Although there was an increase seen in Tele-medicines and use of remote tools to consult the professionals, it did not offset the loss of in-person interaction.
- **Delayed New Launches:** Significant delays was seen in the number of new launches given the limited interaction between

2.IBEF India Brand Equity Foundation, September 2020 3.IBEF India Brand Equity Foundation, June 2018 4. FICCI – Trends & Opportunities for Indian Pharma the Sales force and Healthcare professionals. Slower regulatory approvals and delayed Clinical Trials further added to the reduction in the new product launches.

- **Dependence on China for API:** 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.
- **Reluctance to Adopt New Processes:** According to McKinsey research, traditional pharmaceuticals companies have taken their time to fully capture the productivity and opportunity potential of new processes and digitization. Effective execution and management of digital processes can be challenging, but failure to invest in new processes may cause bigger risks. The products the industry makes (and needs coming down the pipeline) are requiring different manufacturing techniques than those of production years ago.

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. The Government of India has also taken many steps for prevention of the effects caused by COVID-19 on the general public of the country.

Some of the recent initiatives taken by the Government are enumerated below:

- Government regulatory machinery has been working on COVID-19 related drugs leading to relatively slower approval process for drugs in other therapy areas
- Government has developed a new COVID-19 Cell for fast track approval of COVID-19 related new drugs
- Practically no recruitment in the Clinical Trials of New Drugs due to COVID scare, manpower and patient shortages have slowed down the entire development process for new products.
- Atmanirbhar Bharat – An Initiative to reduce the dependency on API imported from other countries has given a boost to API development and manufacture by Indian Companies. India plans to set up nearly Rs. 1,00,000 Crore fund to provide boost to Indian companies for the promotion of domestic manufacturing of critical key starting materials, drug intermediates, APIs and medical devices.
- National Health Protection scheme is the largest government funded healthcare program in the World, which is expected to benefit 100 Million poor families in the country by providing a cover of Rs. 5,00,000 per family per year for secondary and tertiary care hospitalization. This is likely to boost the healthcare spending amongst the masses.
- A major thrust in the rural healthcare program by the government will improve the access to medicines and is likely to boost the Indian Pharma growth

The Government of India has taken many initiatives to create opportunities for Indian Pharma Sector 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. Further, as per Economic Survey 2019-20, Government expenditure (as a percentage of GDP) increased to 1.6 per cent in FY20 from 1.2 per cent in FY15 on health.

RESEARCH & DEVELOPMENT (R&D)

Gufic continues to invest in the Research and development initiatives on the newer innovative molecules, advanced NDDS and drug delivery systems, biologicals/peptides and some select API's.

We at Gufic follow a thorough Need-Gap and market potential analysis to identify the new product categories and the future molecules for growth in the existing and potential new segments. The factors considered to identify and select in the new products for future includes several parameters like-Market potential, Therapy gap analysis, Patent expiry of potential molecules, strategic fitment in the existing and future business modules of Gufic and the R & D strength and wisdom.

New Molecules and innovative combinations: New Molecules initiatives at our R & D revolves around commercially potential projects which has substantial market opportunity in terms of new launches for domestic and international business.

The therapy areas include - Antibacterials, Hormones, Neurologicals, Antifungals, Nutraceuticals and Pain management products. The business strategy on the molecules is to launch the products under Gufic branded formulation business SBUs, offer the products to our CMO partners and also explore in the international markets through out-licensing the dossiers to existing and new partners. Innovative combinations of drugs to cater to the need gaps in the therapy areas is another area to develop new products.

Advanced NDDS formulations & Drug delivery sytems : Gufic has been working on NDDS formulations in the critical care and infertility segment to differentiate our presence in the segments .Our R & D team has successfully completed in-house trails on several innovative concepts on several molecules in Pre-filled syringes and dual chamber bags(a novel concept to deliver critical care products).We have also been working of several dosage formulations to enhance the patient compliance which includes sustain release formulations in the natural products segment.

Improved absorption and bioavailability of products through liposomal technology is another area that we have been working on segments like –Nutraceuticals and dermatologicals

Biologicals and Peptides : Looking at the global trend towards biological and peptides, Gufic has identified several peptides which has great market potential in segments like Immunity (Thymosin Alpha),Cosmetic dermatology (Botulinum toxin) Pain management(Botulinum Toxin) ,Fertility (Recombinant products) and several others products in the critical care segment. Several of these products would be first time launches and would be taken through proper clinicals trials to get a market authorization in India and other countries identified. We have developed a fairly good strength of in- licensing these products(Technology transfer or semi-finished formulations) from several countries across the Globe.

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 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.

The growth of each division of the Company for the financial year 2019-20 as compared to the previous year 2018-19 is as follows :

Division	% Growth April to March 2020 Vs April to March 2019
Nutraceutical and Alternate medicine	5
Spark (Pediatric and Gynecology)	11
Criticare	10
Criticare Life	23
Ferticare	18
Ferticare Life	NA (launched in October 2018)
Per Man Productivity	26

BUSINESS STRATEGY :

Pandemic outbreak has changed the Pharma scenario substantially and companies across the globe are re-strategizing their focus areas and revamping their engagement modules to face the growth challenges

Accordingly, we at Gufic have also re-strategized our business to adapt to the pandemic crises We have 3 major areas of business

- Branded Domestic Business
- CMO –Domestic and International Business
- API Business

Branded Domestic Business:

The Branded India business of Gufic is strategically well defined into 3 categories with market interests in various segments. These three segments include:

- Gufic Super Speciality Business
- Gufic Mass Speciality Business
- Gufic Speciality Business

Gufic Super Speciality Business

Critical care and Infertility business of Gufic has seen a major impact in the COVID scenario. The main reason being significant decrease in the number of Non-COVID patients and dramatic decrease in the interaction with the customers. We are gradually observing a change in the scenario and foresee that the market will pick up in the coming months

Gufic Critical Care Business:

The focus would be to consolidate our critical care business with the following strategy

- Focus on building specific Acute Therapy brands in the Anti-Infective category
- Introduce COVID specific brands to cater to the existing needs of the market
- Focus on Anti-Fungal segment with a special task force. Gufic has the entire range of Anti-Fungal injections

Gufic Infertility Business:

As the unlock trend continues, we foresee that the Infertility business will gradually open-up, our major strategy in the Infertility business would be

- To build brands in Hormone category
- To build the NDDS offering in the infertility management with the PFS (Pre-Filled Syringe)

Gufic Mass Speciality Business

Gufic has 2 SBUs to focus on mass specialty segment like General Practitioners, Paediatricians, Gynaecologists and Physicians. The market interest of these SBUs are Nutraceuticals and Natural products, Pain /Arthritis, Immune Boosters, respiratory products and mass Anti-infectives.

Gufic Speciality Business

Gufic Stellar: A newly created specialty SBU with specific focus on Orthopaedic and Gynecological products in various segments like Pain, Infection, Pregnancy, Lactation and bone and muscle products.

This SBU will help us build specific specialty focus with differentiated brands that have a long-term prescription profile. Initial operations of this division would be restricted to select metro towns.

Gufic Aesthaderm: To balance the product portfolio, Gufic is set to venture into the potential sub-chronic segment of Aesthetic Dermatology segment towards the last quarter of 2020-21.

Aesthaderm would be launched with differentiated Aesthetic dermatology products in the Moisturizing agents, Anti-aging, Hyperpigmentation, Sunscreen and Pre/ post procedural products. The range of 8 differentiated products during the launch phase would be one of its kind in the Aesthetic Dermatology segment.

Gufic would be the first company to launch an indigenously manufactured Botulinum Toxin (for wrinkles and sagging skin) in collaboration with Prime-Bio,USA.

Most of the other differentiated products are also developed in technical collaboration with Lucas Meyer, Canada & France -a company that specializes in Aesthetic dermatology.

The major target audience for Aesthaderm would be - Cosmetologists, Plastic Surgeons, Aesthetic Dermatologists and Beauticians.

CMO –Domestic and International Business

With the enhanced lyophilisation capacities and multiple approvals from the regulatory bodies like EU-GMP, TGA - Australia, ANVISA - Brazil, PICS-GMP – Ukraine, MCC – South Africa, BFAD – Philippines, FMHACA – Ethiopia, NAFDAC – Nigeria, MOH – Cambodia, PPB – Kenya and WHO GMP. Gufic is geared up to explore the CMO and Out-Licensing business

We expect that the healthcare market in Africa (Kenya, Nigeria, Tanzania, Egypt and Francophone), South East Asia, CIS, South Africa, Australia, Canada and Middle East will also mature a lot. Not only Generics, a market of for high-end lifesaving products will also be on a rise which would open a great opportunity that needs to be targeted. Gufic via its innovative portfolio would like to cater products to these markets at a price which would make the treatment more affordable to the population

Our export growth is expected to be led by our increasing penetration in the generic business in the regulated markets like Europe, UK, Canada, Australia, Brazil, Russia and South Africa. We would focus on niche and complex product segments where patents are expiring or enabling licensing agreements with innovator pharmaceutical companies

API Business

Gufic manufactures a varied therapeutic basket in our API facility, which are mostly utilized for our captive consumption. The categories of API manufactured by us include -Anti-Fungals along with their Intermediates, Anti-bacterials and Anesthetic agents. We intend to explore and expand our API portfolio and increase our focus on API business to cater to the market apart from the captive comsumption. With the Government promoting At manirbhar Bharat (A government initiative to manufacture API in India) to reduce the dependency om import of material from various countries-we have already initiated our plan to develop potential API as per the market needs.

Financial performance with respect to operational performance :

During the year under review, the total revenue increased to Rs. 36,456.63 lakhs in comparison to previous year 2018-19 i.e., Rs. 35,494.18 Lakhs, thus registering a growth of about 2.71% and net profit after tax increased to Rs. 2285.67 lakhs from Rs. 2194.07 lakhs, in previous year, a percentage increase of 4.17%.

The total revenue of the company for the financial year 2019-20 constituted to around 88.22% of its business consisting of domestic branded business sales, contract manufacturing and the sale of Active Pharmaceutical Ingredients and the balance 11.78% to exports business.

Gufic's total sales from international business for financial year 2019-20 stood at Rs. 4213.85 lakhs as compared to Rs. 3042.43 lakhs in the previous year 2018-19, thus registering a growth of 38.50%.

Gufic continues to strengthen product portfolio through new launches, many of them being first-to market products, offering significant patient benefits. Apart from new launches, many of the Gufic's existing products continue to grow their market share.

The Company from April 01, 2019 till the date of this report have launched about 9 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.

Gufic has reached a MAT rank of 94 for the MAT sales as per March, 2020(as per IQVIA). Growth in the Indian pharmaceutical market continues to happen in the range of18 % plus year over year.

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, DDA Nepal, 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	2019-20	2018-19	Variance (%)	Reasons if variance is more than 25%
Operating profit margin (%)	%	12.03	12.97	(7.26)	NA
Net profit margin (%)	%	5.84	6.25	(6.61)	NA
Debtors turnover ratio	Times	3.50	3.81	8.21	NA
Current ratio	Times	1.17	1.25	(5.97)	NA
Return on Net Worth	%	21.78	29.09	(25.13)	Variance in Return on Networth is due to following reasons : • Increase in Employee benefit expenses & Gratuity due to revision in salary • Increase in depreciation and amortization due to change in Accounting Standard on Lease (IND-AS 19)
Inventory turnover ratio	Times	3.52	3.72	(5.53)	NA
Interest coverage ratio	Times	4.04	4.94	(18.13)	NA
Debt equity ratio	Times	1.16	1.30	10.99	NA

HUMAN RESOURCES DEVELOPMENT

"In order to build a rewarding employee experience, you need to understand what matters most to your people."

-Julie Bevacqua

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 celebrated its Annual day at Kolad (Two days trip) where the motive of the trip was team building.

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 2020, 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

E. Gufic Covid Cell

During this Covid-19 pandemic, your Company initiated Gufic Covid Cell being the single window cell for assisting and addressing Covid related issues of all its employees and their relatives.

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 was 1044.

Internal Control Framework

Gufic believes that internal control is a pre-requisite for governance and has a well-established internal control framework, which is designed to continuously assess the adequacy, effectiveness and efficiency of financial and operational controls Internal Controls safeguard Company's assets against loss from unauthorised use and ensures reliability of financial reporting. It is also designed for effectiveness and efficiency of operations, compliance or regulations backed by strong audit framework at all the locations. A well-defined system of internal audit is in place so as to independently review and strengthen these internal controls. The Audit Committee of the Company reviews the reports of the internal auditors quarterly and recommends steps for further improvement of the internal controls.

Outlook

Gufic believes a diversified product basket helps to grow the business consistently and continuously. Your Company has identified complex and differentiated products in multiple therapeutic areas from where it will launch the next phase of growth.

Gufic's strategy of developing the specialty business as an additional growth engine has started delivering, with a gradual ramp up in specialty revenues. We expect this momentum to continue over the next few years although the COVID-19 pandemic and lock downs may throw up some uncertainties in the near-term. Gufic will continue its investment in Research and Development inspite of the current economic scenario.

Gufic has initiated Trials for D-29 has for the novel second-generation lipoglycopeptide antibiotic that belongs to the same class as vancomycin, the most widely used and one of the few treatments available to patients infected with methicillin-resistant Staphylococcus aureus (MRSA)and the launch of the product is expected in the year 2021.

Gufic drug candidate O-26 for the treatment of community-acquired bacterial pneumonia and acute skin and skin structure infections will be ready for filing in DCGI and other countries by November 2020 and aim for commercialization by last quarter 2021 or early 2022.

Gufic's drug candidate IS-6, an antifungal to treat invasive aspergillosis and mucormycosis will be applied for registration by Jan 2021 and a commercialization launch target of second or third quarter 2021

Apart from new first to launch molecules, Gufic also plans to launch new drug delivery systems in the field of Antibacterial and also Biological peptides by 2021 and DCGI process will be initiated by December 2020 with infrastructure tie ups from Spain and Italy.

Threats, Risks & Concerns

As on the date of this Report, we are in the midst of COVID-19 pandemic.. Even though the Government of India has been announcing stage wise unlock decision, however there is high level of uncertainty about the time required for things to get normal as

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before. The extent to which COVID-19 pandemic will impact the operations and financial results is dependent on the future developments, which are highly uncertain. This is a major risk in the immediate future and its long term impact needs to be assessed.

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. Other than as stated in Note no. 42 of the Financial Statement, being part of this Annual Report, the following are the identified riskas 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	Economical and Political Risk	Gufic focuses on Due diligence, ongoing research and political risk analysis to predict such events and plans accordingly.
4	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.
5	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

Statements in this 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates, expectations, plans or industry conditions or events are 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, competitors' pricing in the Company's principal markets, changes in government regulations, tax regimes, economic conditions within India and the countries within which the Company conducts business and other factors, such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward-looking statements, based on any subsequent development, new information or future events or otherwise except as required by applicable law.