





Values

Speed

Proactive and swift action are our mantras

Innovation

Our constant approach at all levels is to seek better ways of listening, thinking and doing - making our offerings meaningful and impactful

Happiness

We are motivated by our customers' success and happiness of our stakeholders



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Chairman's Letter

Dear Shareholders,

Recently sworn in new government under the able leadership of Honourable Prime Minister, Shri. Narendra Modi has raised a sense of aspiration and hope for India. His call to the nation for development with good governance has touched hearts and minds of millions of people worldwide. We at Bilcare, resonate the same and welcome this 'wind-of-change' of the new Government and leadership. With this new optimism, Bilcare is turning the headwinds and redefining its competitive advantage against a backdrop of volatile, uncertain, complex and ambiguous global environment where surprises are new normal. Rapid globalization and the resulting interdependence of financial markets, technology and economic systems have made this even more interesting.

Bilcare is realigning its business and financial model to constitute an optimal capital structure which will be beneficial to the organization with the emphasis being on the growth of the overseas subsidiaries becoming self sustaining and being able to give healthy returns of the investments.

Bilcare has built its own brand equity and created a legacy in pharma packaging

with state-of-the-art assets in Asia, Europe and US-akin to valued – infrastructure which shall stay to serve customers and care medicine at the core. Our research orientation and customer centric innovations has resulted in continual creation of valuable Intellectual Property, with over 198 patent applications worldwide and 48 granted patents in the form of novel products and services - reaching out to over 1,000 customers.

I am happy to share with you that Bilcare Research - is nominated to be featured in Admired 100 Brands & Leaders 2014, Asia Edition by VWP world brands, the world's largest multi format platform of branding.

Our customers are willing to extend their olive branch support in all possible ways as they understand and appreciate Bilcare business model and the firm's contribution to the Industry in protecting medicine and their brands.

Today, Bilcare has emerged as the global leader in solid dosage pharma packaging with approximately 25% market share and presence in more than 120 countries, making it second to none in this niche segment. Frost & Sullivan in its recent survey also echoes the same. Infact, based on its

findings, and in-depth best practise survey, Frost & Sullivan has bestowed Bilcare with Global Customer Service Leadership Award in solid dose formulation packaging .We are leaders in several markers which includes the BRICKS™ group (Brazil, Russia, India, China, Korea, South Africa, Turkey, Mexico) and the next league of growth drivers called CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa).

Bilcare Research AG is a global producer of speciality, rigid films and foils. Its manufacturing and product innovation activities of over 50 years is focused at providing customer centric solutions to the pharmaceutical sector, print and label industry which is globally regaining strength.

Bilcare GCS is well poised to capture this opportunity particularly with its — proven track record of handling global trial with USFDA and UKMHRA and India advantage of cost vis-à-vis service quality and qualified staff. Increased service quality, appropriate accreditations, global network of around 25 international depots has led to improvement of its top line.

During the year, Bilcare GCS acquired 16 new domestic and international customers, including a prestigious large scale vaccine clinical trial in South Korea.

Bilcare ncID™ technology has made inroads with various Government pilot projects, such as CSIR- New Millennium Indian Technology Leadership Initiative (NMITLI) program, National Jute Board on Secured Identification and Authentication of Jute Bales for Department of Supplies and Disposals (DGS&D), Secured Fertilizer Supply Chain Control & Direct to Farmer Subsidy Management System

and Development of a unique gaming management system for addressing the serious counterfeit issues of Bn Dollar Poker Industry/games.

On the other side, global pharmaceuticals, like MSD, Biocon and Sandoz have signed up with us to authenticate and track & trace their products not only for their Indian sites but also globally at multiple sites/plants.

The Asian Institute of Technology (AIT) in Thailand has signed a long term partnership agreement with Bilcare Limited involving multiple aspects of nanotechnology cooperation, higher education and adaptation of the path-breaking innovation - nonClonableID™ Technology.

Bilcare nonClonableID™ Technology was conferred with the prestigious EMS - IEH 2013 Award for its valuable contribution in Patient Safety & Well Being by AIIMS, New Delhi & Oklahoma State University, USA.

Standalone revenue for the year ended 2014 stood at INR 394 Cr. as compared to INR 727 Cr. of last year ended, 2013, showing a decline of 46% due to lower sales arising out of working capital crunch.

Similarly, operating income, (EBIDTA) de-grew for the year 2014 at INR 57 Cr. as compared to INR 182 Cr. of 2013 due to reduction in turnover and increase in other expense.

Consolidated Revenue for the year 2014 stood at INR 3076 Cr. as compared to INR 3552 Cr. for the year 2013, a decline of 13 %. With the organizational restructuring envisaged this financial year, we hope to turnaround in Indian market in the ensuing years.

Our lenders repositioning of debt is in the process, and with support from all bankers, including an international 'European Bank', there is a clear sign of overseas business improvement.

The BRICS nation is emerging as next big economic power cluster surpassing west with creation of \$100 Bn bank with mini IMF/World Bank status. The Big Bang BRICS explosion is happening in all sectors, including pharmaceuticals, which is an opportunity for us.

The BRICS nations, with China in the lead followed by Brazil, Russia and India, are set to power growth in the global pharma market, along with countries such as Poland, Argentina, South Africa, Turkey and Vietnam. Growth in the pharmaceutical sector is expected to be 12 percent to 14 percent a year in those countries. This shift in pharmaceutical growth away from the established drivers to high-potential "pharmerging" markets, offers tremendous opportunities for pharmaceutical manufacturers that face mounting pressures in the mature markets.

Bilcare is not only looking to explore new markets with newer products and disruptive technologies but also ways to reach out through innovative and social media tools, thereby changing its Facebook towards customer and its approach. Our ncID™ technology business when scaled up and switched to a B2C model will be a game changer for the company and Industry. Company's overall research initiatives continue with 21 new patent filings this year and bagging consecutively National IP award from confederation of Indian Industries (CII).

Encouraged by customer confidence reposed in us, we are certain to resurrect, and regain strength, keeping pace with changing time!

I thank you all, shareholders, investors customers, bankers, regulators, vendors, partners and employees for your continued support and trust and hope to meet your expectations.

Regards,

A handwritten signature in black ink, appearing to read 'Mohan H. Bhandari', with a long horizontal line extending from the end of the signature.

Mohan H. Bhandari
Chairman & Managing Director

Corporate Information



Board of Directors

Mr. Mohan H. Bhandari – Chairman and Managing Director

Dr. Praful R. Naik – Executive Director

Mr. Rajendra B. Tapadia

Mr. Pawan G. Chandak

Mr. Avinash S. Joshi

Company Secretary & CFO

Mr. Anil Tikekar

Registered Office and Works

1028, Shirol, Rajgurunagar,

Pune - 410 505, India.

CIN: L28939PN1987PLC043953

Auditors

M/s. R. L. Rathi & Co., Pune

Firm Registration No. 108719W

Bankers

Multiple Banking under the Security Trust Arrangement.

Registrar & Transfer Agents

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Management Discussion and Analysis



Global Pharmaceutical Packaging Market Landscape

As per IMS, the global pharma market reported a strong growth of 6.4% to \$883.6bn from \$830.5bn due to good growth across geographies, higher healthcare allocations by the Governments, introduction of new products and change in the disease profile.

The US pharma market which forms ~39% of the global markets grew at 7.3% to \$342.7bn from \$319.4bn with the higher use of generics and increase in healthcare spending by the Obama Government.

Though both EU and Japanese markets reported a lower growth of 3.3% and 3.7% respectively, the APAC market grew by 9.7% to \$131.5bn from \$119.9bn. The pharma growth in China was 13.5% to \$70.5bn from \$62.1bn. The Brazilian market grew at 17.4% to \$21.6bn from \$18.4bn.

The Indian pharma market also reported strong growth of 9.9% to \$11.9bn from \$10.8bn despite the sharp reduction in prices of 348 drugs by NPPA in Sept'13.

The global pharmaceutical packaging market will continue to grow at a CAGR of 8% in the next five years, as projected by pharmaceutical packaging market report. Further, the market is expected to be fueled by off-patenting of drugs and expanding the

generics market. The global pharmaceutical industry is presently undergoing swift expansion, a lot of technology innovations and rapid advancements in manufacturing processes and integrations. These factors are foretelling growth of the pharmaceutical packaging industry globally. Due to increasing generic and contract manufacturing activities in Asian countries, specially India and China, the emerging geographies are expected to register maximum growth, and garner 25% of the market by 2018.

Development of new packaging solutions which provide product protection, quality, patient comfort and compliance, and security needs are expected to increase consumer consumption. This in turn is expected to drive the market for novel pharmaceutical packaging. In addition, increasing global drug counterfeit market and the subsequent development of anti-counterfeiting drug packaging technologies and products is expected to boost the demand for pharmaceutical packaging over the next few years. **Team Bilcare is excited to be a part of this new emerging global market.**

A recent study by the Freedonia Group supports the fact that pharma packaging systems will need to incorporate advanced functionalities to evolve in line with industry trends like the increasing use of biotechnology-based drugs, the importance of patient compliance and the need to crack down on the growing menace of counterfeit drugs.

Blister packaging has become a major platform to fight counterfeit drugs as it provides manufacturers the space to add extended labelling information. Blister packs can also be readily fitted with track and trace technologies, and thus the market for pharma blister packaging will expand as more companies use this technology to provide additional safety information and limit potential counterfeiting.

Thus pharma packaging providers will have to provide value added services to their clients. They will have to evolve into specialists, providing solutions to meet specific needs. Beyond that, pharma looks to packagers to improve bottom lines and brand distinction. Bilcare focus and forte in Blister packaging coupled with nclD enabled third generation nonclonable packaging along with existing 5 C offerings to the pharma sector worldwide for brand distinction and compliance oriented packaging will have clear advantage in the Industry.

Opportunities

World demand for drug packaging products will increase 6.4 percent annually to \$90 billion in 2017. Most of the demand will remain in the developed economies of Canada, Japan, the US, and Western Europe.

Demand for packaging is projected to increase 3.8 percent annually to \$18.2 billion in 2015, according to a recent study conducted by The Freedonia Group.

Flexible packaging in Brazil, Russia, India and China (BRIC) is expected to grow. With shifting and change in regulation in US from bottle to blister packaging and increasing emphasis on track & trace of medical products across nations and Governments, along with serialization drive in Europe throws multitude of opportunities for companies in same.

Bilcare is well poised to capitalize on all such opportunities having moved ahead of the curve in innovation and counterfeit enabled packaging.

Risk and Concern

Input Cost

Given the volatility and rise of crude oil and polymer raw material cost, pressure on input cost for packaging players are going to fluctuate/rise, leading to passing of this cost to end customers.

Forex Risk

A significant part of Bilcare's revenue, cost, assets and liabilities are denominated in foreign currency. However, Bilcare's presence across geographies helps in providing natural hedging by offsetting purchase and sales transaction amongst various currencies.

Other Concerns

- Long working capital cycles leading to crunch in the cash flows
- High finance cost

In addition pharmaceutical Industry may have to contend with issues

- Effects of new product patent
- Drug price control
- Regulatory reforms
- Quality issues
- DGFT policy change

Packaging Innovation

The Primary Pharma Packing Industry represents a ~ 1.5% by value; i.e. a global Industry of ~ US \$ 19 Bn. The blister packaging segment is 35% by volume and 25% by value (the cheapest packaging option) – this is estimated at US \$ 6.3 bn. (includes both the top-films and the bottom-lid foils).

As per the IMS figures, approx 70% of the drugs globally are Orals and within orals approximate 70% drugs are oral solids.

(Balance being powders packed in sachets and liquids packed in bottles or unit dose laminates or traditional packing methods. Out of this 49% of Oral Solid Dosages (OSD), ~ 70% drugs are in blisters (and balance ~30% in aluminium strips / bottles / other forms). In this Global Market having 35% blisters, 40% are packed in mono PVC; 35% in barrier films (PVDC/Aclar); ~10% are packed in PP/Other base films and 15% in Cold form / Alu-Alu.

Today, Bilcare has emerged as global leader in solid dosage pharma packaging with approximately 25% market share and presence in more than 120 countries, making it second to none in this niche segment, which is also seconded by Frost & Sullivan in its recent survey. We are leaders in several markets which includes the BRICKS™ group (Brazil, Russia, India, China, Korea, South Africa, Turkey, Mexico) and the next league of growth drivers called CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa).

Bilcare packaging business such as - packaging films solutions (PFS) for FMCG and specialty films solutions (SFS) and card solutions are based out of Europe and US. BRAG which is this business along with pharma packaging and innovation has shown a quantum growth both in the top line and operating levels of Bilcare overseas business.

Research Services

Bilcare steadfastly maintained its commitment, dedication and focus on significant investment of its time and resources in Research & Development activities to create innovative and novel products, processes and services. The primary objective was to strengthen the innovation pipeline and innovative offerings addressing unmet and newer challenges encountered by our customers. The activities also encompassed customized development on existing intellectual property to meet the specific needs and requirement of customers.

All new development activities were protected by encapsulating them with intellectual property rights in key / potential business regions across the world. The company has filed 21 new patents during the year, and 198 till date. It has also received consecutively - National IP award this year from confederation of Indian Industries (CII).

Some of the key R&D activities in FY 2013 -14 includes:

- Bilcare successfully completed the development activities, trial run validations and started commercial production of the specialty cold formable blister (CFB) film on the newly commissioned state of the art multi-layer laminator. The R&D team successfully developed 'Bilcare Armour' for packaging of highly moisture sensitive formulations in a cost effective manner by replacing conventional high cost material used for packaging of highly moisture sensitive pharmaceutical formulations.
- Another key R&D activity was the successful development and commercialization of specialty triplex and duplex film laminates comprising PVC/EVOH/Aclar for Oxygen sensitive formulations as well as PVC/PE/Aclar, CPP/Aclar (Polyolefin base) and APET/Aclar (polyester base) for pharmaceutical applications as green (halogen-free) packaging alternatives.
- The R&D team accomplished a major achievement by successfully developing aluminum based film laminates for use in packaging of suppositories.
- With Aclar laminates having focused applications particularly in the USA market, the R&D team successfully developed an anti-counterfeit feature based Aclar laminate..
- Subsequent to commissioning of the multi-layer laminator, R&D team successfully developed innovative