



Strengthening Future



Vision

Transforming Health Outcomes, Touching Lives

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

Strengthening-the-Future....

It has been an eventful year of realigning and streamlining our focus and energies. Dynamic business environment and demanding market expectations has become the new norm - globally. While the challenges of the future are many, I see great opportunities for Bilcare.

We started off as a Packaging Company in the 80's, with a vision of leading in pharma packaging innovations by being a value differentiator through our advanced research based one stop packaging solutions. Today this vision has led us to bring about a new outlook in the pharma packaging domain, where technology plays an important role in patient education, safety on delivery, dispensation and consumption of the pharma products. Keeping in-sync with this vision, our R&D team has taken painstaking efforts to continually improve on its innovative range of packaging products with many inbuilt features and has enabled the company to be a prominent and dominant player in this highly competitive market.

In the last four years, we have taken many tough decisions, decisions that may have looked harsh but have a long term positive impact on the business. Bilcare has reset on this journey by garnering its resources, gathering its manpower energy and a renewed commitment towards "Enhancing Patient Health Outcomes"

I have always learned from great leaders and visionaries that the path to success is often laced with thorns and only by walking on this path can one attain success. What comes along is a bitter sweet experience of learning and growing - together.

The Indian pharmaceutical industry is currently the third largest in the world and is one of the most developed industries. Technologically strong and self-reliant, the pharmaceutical industry in India has cost effective manufacturing, innovative scientific manpower, strength of internationally acclaimed laboratories, R&D capabilities and an increasing balance of trade. It is today ranked world class, in terms of, quality and range of medicines manufactured. From simple generic headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine

is now made indigenously. Complementing this, the flexible packaging is the only other segment that has witnessed revolutionary changes, improvisation and introduction of innovative packaging solutions in the last four to five years indicating a bright future for Bilcare.

Today, the flexible packaging films and foils are the most sought after and economical packaging material available to address the ever increasing demands of the pharma and healthcare industry especially when it comes to the ease of distribution, preserving the potency of the drug and also to ensure a better shelf life of the packaged product. Keeping in line with the growing stringent demands, Bilcare took initiatives and measures which led to not only new products coming into the fray but also process techniques being improvised to produce the best quality blister foils formations.

During the year, Team Bilcare developed various composites using combination of coating and lamination technologies including customized laminate structures and created wide range of packaging products. This addressed the explicit and implicit needs of various formulations thus creating a unique solution space and reiterated its presence as a global solution provider in the child resistant and senior friendly lidding material segment. This type of packaging coupled with the 5C approach is expected to be a point of inflexion in the domain of primary packaging for oral solids.

Our customers are always at the heart of our thinking and our partnership approach to working collaboratively builds trust and strengthens our value proposition.

Moving towards the international accounting standards, we adopted the Ind AS accounting standards for financial year ending March 2017. The Company is still in the restructuring & stabilization phase and the efforts have led to a comprehensive debt resolution with a majority of lenders. Going forward, the focus will be on improving the operational performance with higher margins. All efforts are being made to facilitate working capital for increased production and resultant cash flows.

On a group level we have stayed focused on the strategy of realignment of synergies, improved EBIDTA and disinvestment. This has led to a hygiene check and reduction of losses. The journey has been long and winding that resonate the Company policy of "restructuring for the better".

I regret to share the news about the sad demise of one of our Board of Directors – Mr. Ramnarayan Venkit few days back. His ability to see beyond the normal and his humbleness were par excellence. Team Bilcare will surely miss his able guidance. I pray God to rest his soul in peace.

These are challenging times for the company yet the future has many opportunities in its store. As said by Peter F. Drucker, "The best way to predict the future is to create it".

With this quote, I conclude by thanking you all for your continued support and trust.

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

Mohan H Bhandari

Chairman and Managing Director



Corporate Information

Board of Directors

Mr. Mohan H. Bhandari
Mr. Rajendra B. Tapadia
Mr. Avinash S. Joshi
Mr. Surendranath Gupte
Mrs. Nutan M. Bhandari

Company Secretary & CFO

Mr. Anil Tikekar

Registered Office and Works

1028, Shiroli, Rajgurunagar, Pune - 410 505, India.

Auditors

M/s. R.L. Rath & Co.
Chartered Accountant

Secretarial Auditor

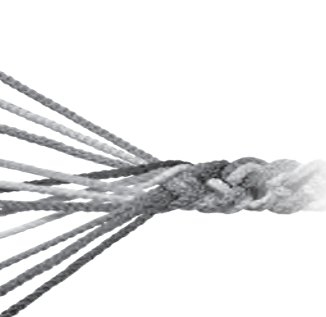
M/s. Shekhar Ghatpande & Co,
Practicing Company Secretary

Bankers

Multiple Banking under the Security Trust Arrangement.

Registrar & Transfer Agents

Link Intime India Pvt. Ltd.,
(Unit: Bilcare Limited)
Block No. 202, 2nd Floor,
Akshay Complex, Off Dhole Patil Road,
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Management Discussion and Analysis

Pharmaceutical and Packaging – A Bright Future

Technologically strong and totally self-reliant, the Indian Pharmaceutical industry is currently the third largest in the world and is one of the most developed industries. Today the Pharma Sector has enviable cost effective manufacturing processes, huge investments in R&D, IT and ITES techno edge, highly skilled scientific manpower and backing from the internationally acclaimed laboratories. The industry boasts of producing the entire range of pharmaceutical formulations, i.e., medicines ready for consumption by patients and about 400 bulk drugs, i.e., chemicals having therapeutic value and used for production of pharmaceutical formulations. Today the industry is capable of manufacturing even the complex cardiac compounds, which was a distant dream just few years back.

The global pharmaceutical industry is projected to grow markedly through the decade, reaching \$1.4 trillion and 4.5 trillion doses of medicines by 2020. As a resultant factor, the pharmaceutical packaging market is too growing rapidly and is expected to surpass \$100 billion globally by 2019. In fact, according to a new study from PMMI, the pharmaceutical packaging sector is expected to grow the fastest among all packaging industry sectors, growing at a five-year CAGR of 3.9 percent through 2019.

Several factors are converging at once for the pharmaceutical industry, contributing to the growth and importance placed on packaging. These factors include global demographic shifts, advances in serialization to meet new requirements and the influence of the generics and biosimilars markets.

GLOBAL DEMOGRAPHICS

Many developing regions — including Asia/Pacific, Latin America and much of the Middle East and Africa — will continue to see population growth coupled with economic development. The resultant rise in the middle class will lead to a greater global population that can afford access to high end drugs. In developed regions where population growth is typically slower, general improvements in healthcare have contributed to an

aging population. According to the U.S. Census Bureau, people aged 65 and over accounted for around 8.5 percent of the global population in 2015. It is projected that it will reach 12 percent by 2030. This trend is particularly impactful on the pharmaceutical market, as elderly people are large consumers of medicines. Both trends will contribute to an increase in the use of pharmaceutical packaging, as well as pharmaceutical packaging equipment, throughout the decade.

SERIALIZATION

The importance and consideration placed on packaging in the world of pharmaceuticals has expanded considerably as a result of serialization requirements. Packaging plays a vital role in ensuring the traceability of products across the supply chain. Several pieces of legislation mandating various serialization requirements have been enacted globally in recent years. In the U.S., the Drug Quality and Security Act (DQSA) have created national, rather than statewide, regulations for serialization. DQSA mandates will come into force for manufacturers in 2017.

The cost and time associated with meeting these regulations can be high. Many manufacturers will require new labeling, coding and scanning equipment to become compliant. Packaging equipment in such categories is expected to see growth prior to serialization deadlines and a downturn immediately following them. For some pharmaceutical manufacturers, installation of new equipment may require an expansion of the packaging line. For those with space limitations, this means potentially turning to robots, where enhanced flexibility offers the capability to handle multiple products in the same space with the same equipment. While working to upgrade their packaging lines to gain compliance with serialization laws, many pharmaceutical manufacturers are turning to co-packers to help fill the gaps in technology and capacity. Proper serialization will require the effective transfer of information among all parties throughout the supply chain. As a result, demand for improved integrated, software-based solutions has raised a trend that is expected to continue for the foreseeable future.

GENERICS AND BIOSIMILARS

As patents for several blockbuster drugs expire — known as the patent cliff — the market becomes increasingly competitive with the flood of generics entering the market. Production of the number of pharmaceutical products increase, therefore increasing the number of packaging types employed. Biosimilars are thought to have a comparable effect on the market as generics, potentially increasing competition and the number of packaging types.

As competition steepens, many pharmaceutical companies — particularly original patent owners — are turning to packaging as an important point of differentiation. Packaging technology that can improve convenience and quality, combat counterfeiting or increase patient compliance can set a pharmaceutical product apart.

Predicting the future of global pharmaceutical packaging is a considerable challenge, given the continual advancements in treatments and materials, regulations and other factors. Despite this ever-changing landscape, the (AMR) report forecasts the pharmaceutical packaging market to reach \$104,882 million by 2022, rising at a Compound Annual Growth Rate of 6.3% from 2017 to 2022. The expansion of the generic market, technological advancement, and strict governmental regulations for conventional packaging are major factors that drive the market growth. The market research firm sites technologies such as RFIDs, tamper-evident packs, holograms, labels and special inks are used to combat counterfeit medicines.

The Govt. of India initiatives and policies as per the Pharma Vision 2020 document will further strengthen and reaffirm the focus on the development and growth of the pharmaceutical and packaging sector. The vision documents clearly states the plans to catapult India into one of the top five pharmaceutical innovation hubs by 2020, targeting to achieve a global niche with one out of every five to ten drugs discovered worldwide by 2020 originating from India.

Delivering Innovation, Touching Lives

Keeping in-sync with the Pharma Vision, Bilcare's philosophy has enabled the company to develop advanced research based breakthrough flexible packaging material into films and foils with highest pedigree. Working closely with our Pharma Customers and understanding their core challenges, Bilcare has deployed the latest technologies in printing and packaging design that addresses mainly the core challenges of the pharmaceutical companies

—commonly known in Bilcare as “5 Cs” viz. Compliance – directions of dosage administration, Counterfeiting – deterring piracy and counterfeit in medicines packaging; Communication – differentiating and brand recall strategies; Convenience – smart and easy to carry, dispensing; Child Resistant Packaging – to avoid accidental misuse by children). Our innovative one stop packaging solutions coupled with the technology support has been in line with the aspirations of the pharma companies to meet their ever increasing demand of patient safety, education and ease of consumption.

At Bilcare, innovation is all about identifying opportunities for improving productivity and deliverables of existing solutions and enhancing the value proposition through continual research, development and commercialization of new products. We firmly believe that innovations are not big or small but are continuous and happen on a daily basis through a creative mind. Over the years, our research activities have enhanced our range of proprietary products and services. This has resulted in creating an enviable range of patent portfolio of products, services and solutions worldwide. At Bilcare, the culture of innovation has gone beyond our research labs to touch every business function and activity.

Our Packaging Design Innovation services, Brandpack™ Solutions and Optima™ Solutions are just a few of the successful solutions given by Bilcare to the Pharma industry to optimize not only production costs but also get a better yield from preferred packaging material.

Bilcare Product and Services Portfolio – Focused on Pharma Packaging

Bilcare, ever since its inception has had a clear strategy and a focussed business model to work relentlessly for addressing the core pharma challenges of maintaining the potency of the drug formulation and also help increase the shelf life of the product through its Research Driven approach.

Flexible packaging has been one of the fastest growing sectors in the packaging industry over the last decade given its numerous benefits in terms of superior aesthetics, improved functionalities, light weighing, sustainability advantages and superior optimized barrier properties. According to Pira, the global packaging industry is expected to grow at an annual average rate of 3.4% during 2016-2020 to reach USD 248 Billion where Asia alone is expected to lead the demand with its market share progressing from 42% in 2015 to nearly 45% by 2020.

The flexible packaging films and foils are the most in sought and economical packaging material available to address the ever increasing demands of the pharma and healthcare industry especially when it comes to ease of distribution, preserving the potency of the drug and also to ensure a better shelf life of the packaged product.

The flexible packaging is the only segment that has witnessed revolutionary changes, improvisation and introduction of innovative packaging solutions. According to the IMS data, approx 70% of the drugs globally are Oral drugs of which approx 70% drugs are oral solids (tablets and capsules). A further classification segments the flexible packaging materials into Films and Foils where approx. 70% drugs are packed in Blisters whereas the balance 30% are packed in Aluminium strips/ bottles and other conventional forms.

Pharma Packaging Innovations (PPI)

Bilcare continues to invest on R&D activities and effectively utilize its investments made on creation of research sites resulting in successful addition of newer products, processes services and technologies to its product innovation portfolio.

Benefits derived as a result of the R&D efforts not only comprise newer innovative products but also has yielded significant improvement in existing range of products and realization of cost reduction measures in the manufacturing processes.

To help establish a better brand image for the pharma companies and their products, Bilcare PPI, India developed a range of Packaging Solutions with the help of cutting edge technology absorption. Overt watermark anti-counterfeit features in Alul-Alu by reverse printing methodology, usage of UV ink and water mark combination with reverse printing anti-counterfeit features in Alul-Alu and Bilcare Protect' as a covert anti-counterfeit solution with colour lacquered coating are some of the key product innovations done during the year. In addition to the above, seeing the growing demand of API Formulations, we developed in-house pouch making facility. These initiatives have helped some of our big pharma customers to effectively protect the brand identity of some of their highest selling products.

The Bilcare PPI Overseas business made significant investments into a new laminator at its Wilmington, DE facility. The new investment marks a significant milestone in offering truly integrated solutions and supply chain advantages for the global pharmaceutical industry. It will allow Bilcare to offer best in class delivery of Aclar®

laminates for stability packaging, line trial samples as well as full commercial volumes. Besides, Bilcare AG also introduced a new thermoforming capability to support its blister films production adhering to pharmaceutical industry standards. This state-of-the-art line will be utilized for customer-specific development projects further strengthening its pharma packaging business.

During the course of the year, Bilcare Research GmbH had its corporate responsibility rated by EcoVadis and performed above average in all major core areas: environment, labor practices, fair business practices as well as responsible and sustainable procurement. This makes Bilcare Research GmbH part of the top 2% of the industry sector "production of plastic materials" and part of the top 4% of all top scorers ever evaluated by EcoVadis.

Global Clinical Supplies (GCS)

The global clinical trial management system (CTMS) market is estimated to grow at a CAGR of 11.5% until 2021, and is predicted to reach \$920.2 million led by the contract research organizations segment which is estimated to witness the highest growth rate in the global CTMS market driven by the rising number of ongoing clinical trials. Factors such as increasing adoption of CTMS solutions during clinical trials, growing number of clinical trials, and rising R&D expenditure of pharmaceutical and biopharmaceutical companies are and would continue driving the growth of the CTMS market.

The need for faster recruitment at a lower per-patient cost has resulted in expansion of multinational clinical trials that include fast-growing countries of Latin America, Asia Pacific and of Eastern Europe. This geographical shift gives new possibilities to Clinical logistics providers. Not only will the growth of clinical trial market in the stated regions will affect the existing local depots and distribution chains, there is an expectation that both global pharma and logistics companies will continue to establish their own presence in order to control cost and quality, and to expand its geographical coverage.

the critical/ life saving drugs to support the clinical trials in an art that requires high amount of market knowledge and insights for trading, knowledge of regional regulations and an in-depth awareness of the developments happening with the various drug makers globally. In the race to be the next frontier, every pharma manufacturer is in the race to develop biosimilars. The average price of a biosimilar is above \$ 100, making it a lucrative and fast growing market. This has fuelled the demand for comparator drugs in

India. However, India does not have many organized players to support this demand. Over 95 percent of the requirement is imported from the US or EU.

Bilcare being into the Pharmaceutical Packaging, well understands this unique business line and hence stepped into the Clinical Trial Packaging and Supply Chain business through its Global Clinical Supplies business unit as an extension to its already established pharma packaging business.

After a long gap of three years, new clinical trial approvals have started rolling out which may augur well for business in traditional CTMS area thus indicating a stable and better future for Bilcare GCS in the coming years.

Internal Control System and Adequacy

According to Section 134(5)(e) of the Companies Act 2013, the term Internal Financial Control (IFC) means the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business.

The Company has a well placed and adequate IFC system which ensures that all the transactions are authorized, recorded and reported correctly as well as is compliant with the Company's policies and Standard Operating Procedures (SOP's). The Internal Auditors independently evaluate the adequacy of the internal controls and report to the Audit Committee of any major deviations. The Company also has in place a well defined Whistle Blower policy to ensure the efficacy of the systems and financial controls. The adequacy is further enhanced by a system of internal business reviews and sensitive issues such as forex, market risks and allied are discussed in their respective internal review meetings.

Human Resources:

The Company made necessary business realignments by introducing new business leaders across regions and geographies. The team is constantly aligning itself and synergizing its energies to go beyond boundaries and enhance performance with total focus on the customer needs and market demands. This approach and structured way of business will effectively utilize the human resource capital and achieve leadership dominance thereby enhancing the performance and productivity in the ensuing years.

Corporate Citizen

Bilcare Corporate Citizen Program stems from its very Vision, Mission and Core Values and is much beyond the statutory mandate of the recent years.

Gram Swachchata, Water Storage, Primary School Education Aid, Repair of Old School under Bilcare schemes, teachers, training, SSY training, healthcare camp, library/ education on wheels were few programs initiated this year.

Financial Highlights:

The company has been making efforts during the last two years to improve both its performance as well as capital structure. As on date, the Company has successfully completed the Debt resolution to the extent of about 80% and is hopeful of completing the balance by 2018. This has eased the liquidity stress; however the working capital is still a major constraint.

The operational performance of the Company is improving but slowly, given the working capital constraints. The support of the customers and suppliers has enabled the Company to stay afloat.

The Company has adopted the Ind AS accounting standards for FY March 2017 with a transition date of April 1, 2015. Based on the norms of the said standards, the financials reflect both the impairments as well as the fair values of the assets and liabilities.

Risks and Concern

The Company is subjected to various geo-political and external environmental risks affecting its financial health. Raw material input cost, crude prices, currency fluctuations, interest burden and financial costs are some of the major risks. Further, industry slowdown due to regular new policies such as price cap on drug formulation by NPPA and ban on fixed dosage drugs (FDC) also affects the packaging material supplier.

Cautionary Statement

Statements made in the Management Discussion and Analysis describing the Company's business objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual outcome may differ substantially or material from those expressed or implied important developments that could affect company's operations include significant changes in the political and economical environment in India or Overseas in key markets, applicable statutes, litigation, labor relations, exchange rate fluctuations, interest and other costs.