

Annual Report 2018-2019

Bilcare
Research



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



Contents

| | |
|------------------------------------|----|
| Corporate Information | 02 |
| Director's Report | 03 |
| Corporate Governance | 09 |
| Management Discussion and Analysis | 19 |
| Standalone Financial Statements | 31 |
| Consolidated Financial Statements | 73 |



Corporate Information

Board of Directors

Mr. Mohan Bhandari

Mrs. Nutan Bhandari

Mr. Surendranath Gupte

Mr. Avinash Joshi (up to 12th August 2019)

Mr. Sudhir Pendse (up to 22nd April 2019)

Mr. Vasant Bang (up to 14th November, 2018)

Mr. Rajesh Devene (w.e.f 22nd April 2019)

Ms. Madhuri Vaidya (w.e.f. 15th June 2019)

Chief Financial Officer

Mr. D.K.Sharma

Company Secretary

Ms. Prabhavi Mungee (w.e.f 25th June 2019)

Registered Office and Works

1028, Shirol, Rajgurunagar, Pune – 410 505, India

Statutory Auditors

M/s. K.R. Miniya & Associates,
Practicing Chartered Accountants

Secretarial Auditors

M/s Shekhar Ghatpande & Co.
Practicing Company Secretaries

Bankers

Multiple Banking under Security Trust Agreement

Registrar and Transfer Agents

Link Intime India Pvt.Ltd

(Unit: Bilcare Limited)

Block No. 202, 2nd Floor, Akshay Complex, Off Dhole Patil Road,
Pune 411 001, INDIA

Telefax: +91-20-26163503

Email: pune@linkintime.co.in

Director's Report

To

The Members,

Your Directors are pleased to present the 32nd Annual Report and the Audited Statements of Account for the year ended 31st March, 2019.

Performance of the Company and State of Company's Affairs

The Company's financial performance, for the year ended 31 March 2019 as per Ind AS is summarised below:

| INR in Crs | | | | |
|---|------------|----------|--------------|----------|
| Particulars | Standalone | | Consolidated | |
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Revenue from Operations including other income | 246.36 | 277.08 | 3057.26 | 2824.48 |
| Profit/ (Loss) before Interest, Depreciation, Tax and Exceptional Items | 6.51 | 13.38 | 228.69 | 191.52 |
| Profit/ (Loss) before Tax | (314.07) | (100.58) | (432.51) | (207.21) |
| Tax Expense (incl. Deferred Tax) | 1.18 | (20.64) | 20.78 | (8.10) |
| Profit/ (Loss) for the year from continuing Operations | (315.25) | (79.94) | (455.08) | (201.14) |
| Non-controlling Interest | -- | -- | 1.79 | 2.03 |
| Profit/ (Loss) for the year | (315.25) | (79.94) | (453.29) | (199.11) |

Management Discussion and Analysis

As required by Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), a Management Discussion and Analysis Report is part of this Report.

The state of the affairs of the business along with the financial and operational developments has been discussed in detail in the Management Discussion and Analysis Report.

Directors & Key Managerial Personnel (KMP)

The following changes have been made to the Board of Directors of the Company during the year:

Mr. Vasant Bang, who was appointed as an Additional, Independent Director of the Company effective 30th May, 2018, has resigned from the Board of Directors w.e.f. 14th November 2018. The Board expressed and took on record its deep appreciation of the services rendered by Mr. Vasant Bang during his tenure as a Director of the Company.

Mr. Sudhir Narsinha Pendse was appointed as an Additional, Independent Director of the Company effective 14th December, 2018.

Changes in Board Composition and KMP after the Balance Sheet date:

Mr. Rajesh S. Devene & Ms. Madhuri Vaidya are appointed as Independent (Additional) Director of the Company with effect from 22nd April 2019 & 15th June, 2019 respectively. Necessary resolutions seeking approval of members of the Company for regularization of appointment of Mr. Rajesh S. Devene and Ms. Madhuri Vaidya as Independent Directors will be set out in the Notice convening the ensuing Annual General Meeting.

As required under SEBI Listing Regulations, the information on the particulars of Directors proposed for appointment/ re-appointment has been given in the Notice of the ensuing Annual General Meeting.

Mr. Sudhir N. Pendse has resigned from the Board of Directors w.e.f. 22nd April 2019. The Board expressed and took on record its deep appreciation of the services rendered by Mr. Sudhir Narsinha Pendse during his tenure as a Director of the Company.

Mr. Avinash Joshi ceased to be an Independent Director w.e.f 12th August 2019 on account of completion of his term. The Board expressed and took on record its deep

appreciation of the services rendered by Mr. Avinash Joshi during his tenure as a Director of the Company.

Appointment of Ms. Prabhavi Mungee, as the Company Secretary and Compliance Officer of the Company with effect from 25th June, 2019. Post her appointment, Mr. D. K. Sharma, will continue to be the Chief Financial Officer of the Company.

Declaration from Independent Directors

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub section (6) of Section 149 of the Companies Act, 2013 and under SEBI Listing Regulations.

Extract of Annual Return

As per the requirements of Section 92(3) of the Act and Rules framed thereunder, the extract of the annual return for FY 2019 is given in **"Annexure A"** in the prescribed Form No. MGT-9, which is a part of this report.

Further, the extract to the Annual Return of the Company can also be accessed on the Company's website at www.bilcare.com

Number of Meetings of the Board

During the Financial Year 2018-19, Nine (9) Board Meetings were held, details of which are given in the Corporate Governance Report section.

Directors' Responsibility Statement

Pursuant to the requirement under the Section 134(5) of the Companies Act 2013, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- a. in the preparation of the annual accounts for the financial year ended 31 March 2019, the applicable accounting standards had been followed and there are no material deviations from the same;
- 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 the Company as at 31 March 2019 and of the loss of the Company for the year ended on that date;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the Company

and for preventing and detecting fraud and other irregularities;

- d. the accounts for the financial year ended 31 March 2019 have been prepared on a 'going concern' basis;
- e. 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;
- f. the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

Particulars of Loans, Guarantees and Investments under section 186 of the Companies Act, 2013

Particulars of Loans, guarantees and investments form part of the notes to the financial statement provided in this Annual Report.

Contracts and Arrangements with Related Parties

During the year, the Company has not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. All contracts/ arrangements/ transactions entered by the Company with related parties were in the ordinary course of business and on an arm's length basis. Such transactions form part of the notes to the financial statements provided in this Annual Report. Accordingly, the disclosure of RPTs as required under the provisions of Section 134 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 in Form AOC-2 is not applicable.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at www.bilcare.com.

Amount Transfer to Reserves

In absence of profits, your Board of Directors do not propose to transfer any amount to the reserves.

Dividend

In absence of profits, your Board of Directors do not recommend any Dividend for the financial year ended 31 March 2019.

Conservation of Energy, Technology Absorption and Foreign exchange earnings & outgo

A Conservation of Energy

i. Steps taken for Conservation of Energy:

Bilcare Focused on Energy conservation projects and successfully implemented as follows:

- The effort to maintain the electrical power factor to unity was sustained and this has resulted in savings of Rs. 28.93 lakhs per annum with Nil capital investment.
- Using of cooling towers instead of chillers during the winter season has given a saving in electricity consumption of Rs. 8.00 lakhs per annum.

ii. The Capital investment on energy conservation equipment: Nil

B Technology Absorption, Adaptation and Innovation

Company continued its innovations with R&D activities and was not only able to cater to breakthrough solutions but also added newer dimensions to existing offerings in converting the superior process capability achieved in terms of cost effectiveness. The efforts made towards technology absorption include:

- Company developed Polyolefinic based Venus that will have excellent drawability which will help in reducing surface area to form cavity vis a vis the conventional CFB. To evaluate the same Company has developed special tooling (around 11 different change parts including different form of formulations like capsule, tablet etc.) and validated the same concept. Some top customer packed their formulations and started the stability study.
- Company has developed polyolefinic based heat seal lacquer coating which will give the best sealing results for polyolefinic CFB. It is given to the various customer for stability studies.
- Company commercially supplied peel & push type CR foil to one of the biggest customer for their export to US market.
- Company developed high barrier thermofforming film is under stability study at various customers and also commercially supplied some quantity.
- Company developed suppository film given for the

machinability trial to one of biggest customer from the Gulf.

- Company has developed OPS based composite films for special requirement of machinery that packs oral dosages. Material is through in the stability study and commercial lot is supplied.
- Company has developed barrier film with overt anti-counterfeit solution for one of the largest selling brand. Machine trial is satisfactory. Commercial order is expected.
- Company has successfully developed the push through CR lidding foil for one of the leading pharmaceutical Company for their prestigious brand and commercially supplied..
- Company developed transparent peel type lidding foil for healthcare packaging and machinability/stability trials are in progress at one of the leading pharmaceutical Company.
- Company developed peel type 4 and 3 ply laminate for pouching application in pharmaceutical packaging and approached to the customer for initiating the stability study.
- Company has developed metallized OPA based laminate for healthcare packaging and given to the customer for stability study.
- PET based push through type lidding foil is developed and given to the customer for the functional test to one of the overseas customer.
- PET, Foil and PVC based laminate is developed and commercially supplied for making the special type of pouches to one of the leading pharmaceutical Company.
- Company has developed primer for making the patina film which improves the quality of the product and reduces the wastage percentage.
- Company has successfully developed process of making the peel push CR foil in 2 passes from 3 passes which results in increasing the productivity and in getting the spare capacity of the machine.
- Company has successfully developed the process for making the pouches in small size which was constrain initially. This helps to satisfy the customer's requirement.
- Company has successfully done the modification in the drying capacity of the existing PVDC coating

machine which results in increasing the productivity and in getting the spare capacity of the machine.

- Company has successfully done the modification in the process of making high thickness polyester based high barrier film for healthcare packaging for Europe which results in improving the quality of the product and reducing the wastage percentage.

During the financial year, the Company filed 2 new patent applications related to its innovative technology and 2 patents applied earlier were granted.

Expenditure on Research & Development

| Particulars | Rs. in Crores |
|-------------|---------------|
| Capital | -- |
| Recurring | 1.57 |
| Total | 1.57 |

R&D expenditure as a percentage of total turnover 0.64%

On a consolidated basis total R&D expenditure as a percentage of consolidated turnover is 0.05%

C Foreign Exchange Earnings & Outgo

| Particulars | Rs. in Crores |
|-------------------------|---------------|
| Foreign exchange earned | 92.30 |
| Foreign exchange outgo | 11.75 |

Corporate Social Responsibility (CSR)

The Annual Report on CSR activity is annexed as Annexure B.

Audit Committee

The audit committee comprises of Mr. Avinash S. Joshi (Chairman of the Committee), Mr. Surendranath Gupte and Mr. Mohan H. Bhandari as members. All the recommendations made by the committee were accepted by the Board.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. Performance evaluation has been carried out as per the Nomination and Remuneration Policy.

Independent Directors' Meeting

In accordance with the provisions of Schedule IV (Code for Independent Directors) of the Companies Act, 2013 and SEBI Listing Regulations, a meeting of the Independent Directors of the Company was held on 8th February, 2019 without the attendance of Non-Independent Directors and Members of the Management.

Information about Subsidiary/JV/ Associate Company

Consolidated Financial Statements of the Company are inclusive of the results of all the subsidiaries. Further, a statement containing the particulars for each of the subsidiaries is also enclosed. Copies of annual accounts and related information of all the subsidiaries can be sought by any member of the Company by making a written request to the Company Secretary at the Registered Office of the Company. Above information is available for inspection at the Registered Office & on website of the Company. A statement containing the salient features of the financial statement of the subsidiaries in the prescribed format AOC-1 is presented in a separate section forming part of the financial statement. The Policy for determining 'Material' subsidiaries has been displayed on the Company's website at www.bilcare.com.

Material Changes Post Balance Sheet Date

On November 8, 2019, Company has divested its overseas step down subsidiaries viz. Bilcare Research Swiss I AG and Bilcare Research Swiss II AG for a net proceed of Euro upto 27 million, which will be utilized for a sustainable future of the Company. This is in furtherance of approval obtained from the members of the Company vide Extra-ordinary General Meeting held on January 11, 2019.

Caprihans India Limited, earlier a step down subsidiary, has become a subsidiary of Bilcare Mauritius Limited on November 7, 2019. Post divestment, Company has four wholly owned subsidiaries viz. Bilcare Mauritius Ltd., Mauritius, Bilcare Technologies Singapore Pte. Ltd., Singapore, Bilcare GCS Limited, UK and Bilcare GCS Inc., USA.

Deposits

Given below are the details of deposits, covered under Chapter V of the Companies Act, 2013:

The Company has not invited/accepted deposits from public/members during the year under review.

As on 31st March 2019, deposits outstanding stood at Rs.130.47 Crores.

Company is regular in payment of interest to deposit holders. Further, the Company has made payment of matured & claimed deposit to the extent permitted by the liquidity.

Significant and Material Orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Internal Financial Controls

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

Vigil Mechanism

The Company has in place Whistle Blower Policy, wherein the Employees/ Directors/ Stakeholders of the Company are free to report any unethical or improper activity, actual or suspected fraud or violation of the Company's Code of Conduct. This mechanism provides safeguards against victimization of Employees, who report under the said mechanism. During the year under review, the Company has not received any complaints under the said mechanism. Your Directors hereby affirm that no personnel has been denied access to the audit committee. The Whistle Blower Policy may be accessed on the Company's website at www.bilcare.com

Secretarial Standards Of ICSI

The Company is in compliance with relevant provisions of the Secretarial Standards issued by The Institute of Company Secretaries of India.

Corporate Governance

A report on Corporate Governance is given in this Annual Report. The requisite certificate from the Practicing Company Secretary confirming compliance with the conditions of corporate governance is attached to the report on Corporate Governance.

Auditors

Internal Auditor

The Internal Auditor, Mr. Sourabh Chhajer, Chartered Accountant, Pune has conducted internal audits periodically and submitted his reports to the Audit Committee. His reports have been reviewed by Statutory Auditors and the Audit Committee.

Statutory Auditors

M/s. K. R. Miniyar & Associates, Chartered Accountants are the Statutory Auditors of the Company.

The observations and comments given by the Statutory Auditors in their report read together with notes thereon are self explanatory & addressed by Board of Directors, wherever necessary.

Cost Auditors

At the 31st Annual General Meeting (AGM) held on 29 September 2018, M/s. Parkhi Limaye & Co., Cost Accountants (Firm Registration No: 000191) were appointed as Cost Auditors of the Company for the financial year 2018-19 for conducting cost audit of the accounts maintained by the Company in respect of the various products prescribed under the applicable Cost Audit Rules.

Secretarial Auditor

The Board had appointed M/s. Shekhar Ghatpande & Co, Company Secretaries, to conduct Secretarial Audit for the financial year 2018-19. The Secretarial Audit Report for the financial year ended 31 March 2019 is annexed herewith marked as **Annexure "C"** to this Report.

Management's explanation to the observations and comments given by the Auditors

The Company has been through a restructuring phase over the last few years. As a result, the performance of the Company has remained almost the same level since last year mainly due to working capital constraints. Even after having orders in hand, the plant is running at a capacity level of 30-35%.

The Company, due to financial stress could not comply with FD compliances. The Registrar of Companies disqualified Company's directors under section 164(2) of Companies Act, 2013.

Company is regular in payment of interest to deposit holders. However, the Company has made payment of matured & claimed deposit to the extent permitted by the liquidity.

Details in respect of fraud reported by auditors

During the year under review, the Statutory Auditor and Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees, to the Audit Committee under Section

143(12) of the Act details of which needs to be mentioned in this Report.

Particulars of Employees & Related Disclosures

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Act, read with Rules 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 forms part of the Annual Report. However, as per the provisions of Section 136(1) of the Act, the Report and Accounts are being sent to the members, excluding the aforesaid information. Any member interested in obtaining such particulars may request for the same.

General

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOS referred to in this Report.
3. The Managing Director of the Company does not receive any remuneration or commission from any of its subsidiaries, except for professional services rendered from time to time

Disclosure under the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act 2013

In terms of provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has formulated a Policy to prevent Sexual Harassment of Women at Workplace.

Your Directors state that during the year under review, there were no complaints filed & there were no complaints pending at the end of the year pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgement

All other stakeholders

We thank our domestic and international customers, vendors, investors, banking community and investment bankers for their continued support during the year.

Your Directors also wish to place on record their deep sense of appreciation for the committed services of the employees at all levels worldwide.

We thank the Governments of various countries where we have our operations and also thank Central Government, various State Governments and other Government agencies for their positive co-operation and look forward to their continued support in future. Finally, we wish to express our gratitude to the members and shareholders for their trust and support.

For and on behalf of the Board of Directors

Mohan H. Bhandari
Chairman & Managing Director

Pune : 11th November, 2019