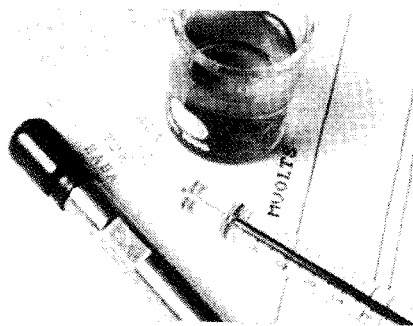


# 17<sup>th</sup> Annual Report 2005 - 2006



Formulations

Actives & Cytotoxic Actives

Oral Solid Dosages

Cytotoxic Injectable

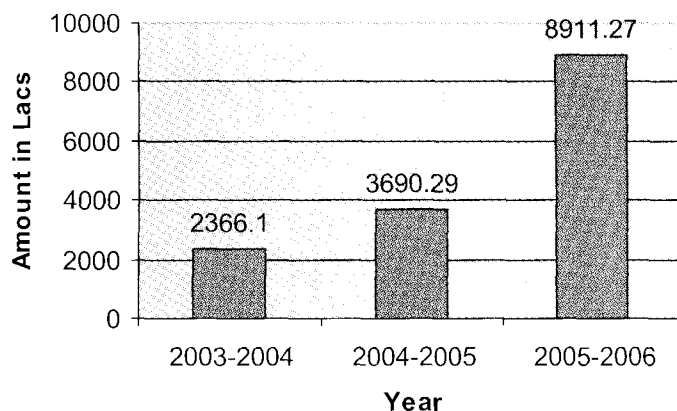
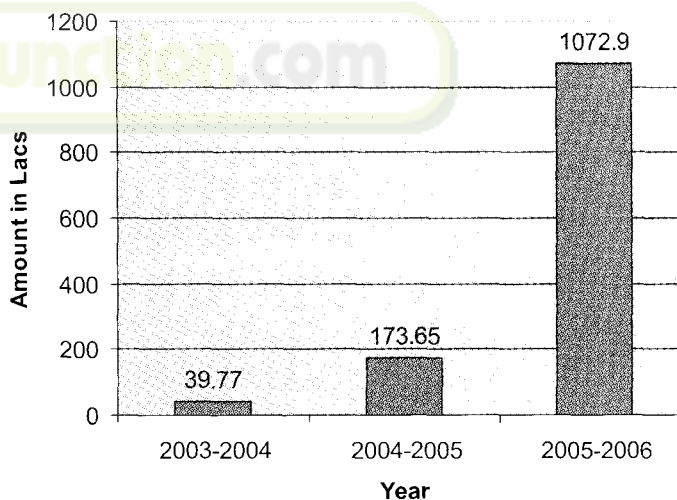
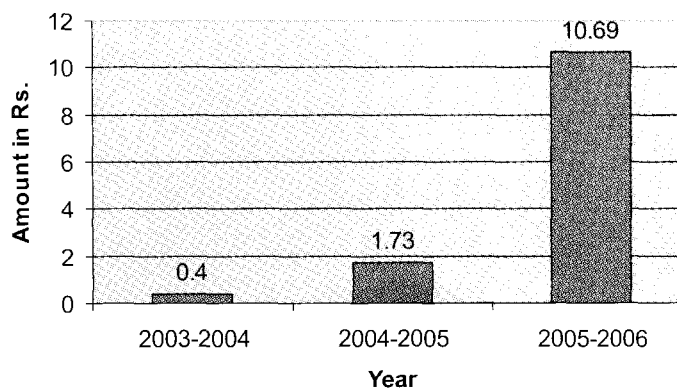


**Sharon**  
BIO-MEDICINE LTD.

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**BOARD OF DIRECTORS****Ms. Savita Gowda****Mr. Lalit Misra****Mr. Mohan P. Kala****Dr. V. N. Badoni****Mr. Anand Paul Eddy****Mr. Sohel I. Sheikh****Mr. Vijay Kirpalani****Dr. Nivvedita Patil Kartik****Managing Director****Whole Time Director****Independent Director****Independent Director****Independent Director****Independent Director****Independent Director****AUDITORS****M/s. K. K. Gangwal & Associates,  
Chartered Accountants****BANKERS****Canara Bank****State Bank of India****COMPANY SECRETARY****Mr. Ram Gaud****CONTENTS**

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**Turnover****Profit after Tax****Earning per Share**



Dear Shareholders,

It gives us great pleasure to present you with the Annual Report for the year 2005-06.

The years have made us more experienced and confident to move ahead in our endeavor to position ourselves as a Fully Integrated Pharmaceutical Manufacturing Company. This year has been good for us in terms of growth and due to robust growth in the Company's revenue your Management has declared Dividend of 10% to Shareholders in spite of upcoming new projects in Uttaranchal and Maharashtra.

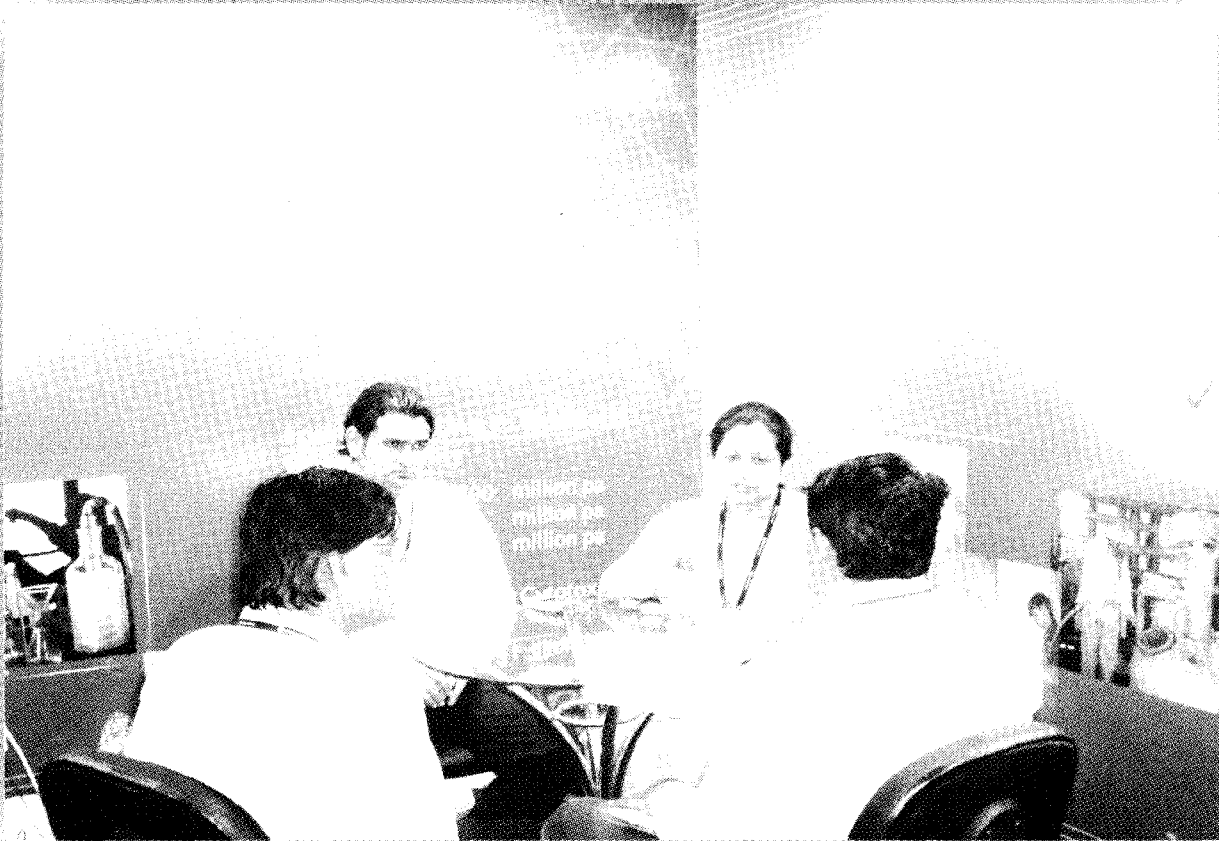
We are confident that the next year should see us commissioning and operating the Uttaranchal Plant and putting our first step in Regulated Markets. Your management is confident of achieving the long term goals set forth. The dedication of your team and its highly focused leadership ensures continuous growth and improved returns through strategic leveraging of your assets and human capital and operational excellence.

The Management would like to thank Shareholders and Banks for the Confidence reposed in the Company and we look forward to continuing our services to you.

Yours Sincerely,

**Savita Gowda**  
**Managing Director**





Trade fair of Chemspac at Goregaon( NSE Ground), Mumbai

Report  junction.com



Onam Festival at Administrative Office

**NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the members of Sharon Bio-Medicine Limited will be held on Monday, 16th October 2006 at 09:30 AM at its Registered office W-34, W-34/1 MIDC, Taloja Dist. Raigad, Maharashtra 410 208 to transact the business.

**ORDINARY BUSINESS**

- 1 To receive, consider, and adopt the Audited Profit & Loss Account for the year ended June 30,2006 and the Balance Sheet as on that date together with the reports of the Director & Auditor thereon.
- 2 To declare Dividend on Equity shares.
- 3 To appoint a Director in place of Mr. Anand Paul Eddy who retires by rotation at ensuing Annual General Meeting and being eligible offers himself for re-appointment.
- 4 To appoint a Director in place of Mr. Sohel Sheikh who retires by rotation at ensuing Annual General Meeting and being eligible offers himself for re-appointment.
- 5 To appoint auditors and fix their remuneration.

**SPECIAL BUSINESS:**

- 6 To Consider and if thought fit, to pass following Resolution with or without modification(s), as an ordinary resolution

RESOLVED THAT Mr Vijay Kirpalani be and is hereby appointed a director of the company whose period of office is liable to retirement by rotation .

- 7 To Consider and if thought fit, to pass following Resolution with or without modification(s), as an ordinary resolution

RESOLVED THAT Dr. Nivvedita Patil Kartik be and is hereby appointed a director of the company whose period of office is liable to retirement by rotation.

By order of the Board of Directors  
For Sharon Bio-Medicine Limited

Savita Gowda  
Managing Director

Place : Mumbai  
Date : 07.09.2006

**NOTES**

1. A MEMBER ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and the Share Transfer register of the Company shall be remained closed from 10th October 2006 to 16th October 2006. (both days inclusive)
3. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act 1956 in respect of the Special Business to be transacted in the Annual General Meeting is attached and forms part of this Notice.
4. The Dividend as recommended by the Board, if sanctioned at the ensuing Annual general Meeting will be paid to those members or their mandates whose names stand registered on the company's Register of members:


**Sharon**

- i. As Beneficial Owners as at the end of business on 9th day, October 2006 as per the list to be furnished by National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL) in respect of shares held in demat form.
  - ii. As members holding shares in Physical mode as per Register of Members of the company as on 9th day, of October 2006.
5. The Member are requested to:
- a) Intimate changes if any in their registered address to the Registrar and Transfer agents of the company.
  - b) Quote ledger folio number in all their correspondence
  - c) Get the multiple folio consolidate and also get the shares transferred in joint names if they are held in single name to avoid inconvenience in future and, .
  - d) Bring their copies of annual reports and attendance slips with them at the Annual General Meeting.
  - e) Write atleast 10 days prior to the date of meeting, any information that they desire on accounts, to enable the management to keep the information ready.
6. Shareholders holding shares in electronic mode may please note that the company will accept and print on the dividend warrants, the bank details as furnished by the respective Depositories as advised by the Securities and Exchange Board of India (SEBI). Any changes in your bank details may be brought to the notice of the respective Depository participant immediately.
7. Members holding shares in physical form are requested to lodge share transfer, transmission and intimate changes, if any, in their registered address, bank account and mandate details, residential status etc. quoting their folio number(s) to Company's share transfer Agents
8. Given below are brief resumes of directors appointment / reappointment in terms of sub clause (g) read with sub clause (iv) (e) (v) of the listing agreement

Mr. Vijay Kirpalani and Dr. Nivvedita Patil Kartik were appointed as Additional Director of the company w.e.f. 17/01/2006 and 09/06/2006 respectively and according to the Articles of Association of the company read with relevant sections of the Companies Act, 1956, they have been re-elected. Mr. Anand Paul Eddy & Mr. Sohel Sheikh shall retire at the Annual general Meeting of the Company and being eligible offers themselves for reelection.

Given below are abbreviated resumes of the Directors seeking appointment/Reappointment

Name of Director	Mr. Vijay Kirpalani	Dr. Nivvedita Patil Kartik	Mr. Anand Paul Eddy	Mr. Sohel Sheikh
Age	50 Years	33 Years	33 Years	30 years
Qualification	B.E.(Chemical)	MBBS, DOMS	B.Sc.(Physics) & M.B.A. ( Finance)	B.Sc.(Chemistry) & M.B.A. ( Marketing)
Date of Appointment	17/01/2006	09/06/2006	29/04/2005	29/04/2005
Expertise	As Mentioned Below			
Details of Directorship	M/s Chemsphere Consultants Pvt. Ltd.	Nil	Nil	Nil
Chairman/Members of Committee	Nil	Nil	Members of Audit Committee & Share holders Grievance Committee	Members of Audit Committee & Share holders Grievance Committee

**Expertise of Directors:****Mr. Anand Paul Eddy**

Mr. Anand Paul Eddy, has done his B.Sc. (Physics) & MBA in Finance. He has worked with Inter Connected Stock Exchange as a Management Trainee and later as an Asst. Manager – Treasury in HDFC Limited. and he has a total work experience of 8 years in the field of Treasury & Finance.

**Mr. Sohel I. Sheikh**

Mr. Sohel I. Sheikh, has done his B.Sc. in Chemistry and MBA in Marketing. He was earlier working with HDFC Limited as Asst. Manager- Business Development. He has around 6 years of experience in Treasury, Operation, and Business Development.

**Mr. Vijay L. Kirpalani**

Mr. Vijay L. Kirpalani, has done his B.E. in Chemical. He has around 25 years of experience in Designing, Executing & Engineering of Projects, Product Development, Technology development, Feasibility Study of the Projects. He was associated with the following organizations namely BARC, Bharat Petroleum Corporation, United Phosphorous and IPCL & Baroda Productivity Council. Further he has also worked with the following International Companies namely B.I.L. Chem Ltd. (Bangladesh), POLSERVICE (Poland), Egis Pharmaceuticals (Hungary), Fermion, O.Y. (Finland), Gist Brocades (Holland), Inter Chem Technical Associates (USA), Synthon Corp (USA), Green Valleys Estb. (Oman), Thomas H. Barton & Co. (USA)..

**Dr. Nivvedita Patil Kartik**

Dr. Nivvedita Patil Kartik, has done her Bachelor of Medicine and Surgery and Diploma in Ophthalmic Medicine & Surgery. She is a Consultant Ophthalmic Surgeon at Krishna Eye Care. She is one of the founder member of Thane City Laser Eye Centre, honorary ophthalmologist at Red Cross Society of India and is also involved in Clinical Research by as a co-investigator on global clinical research projects. She was associated with Surya Eye Tech as an Assistant Ophthalmic Consultant. She has been one of the lecturer at Novartis Limited and FDC Private Limited for Diagnosis of Glaucoma (Basics), Dry-Eye and Ocular Infections respectively.

By the order of Board of Directors  
For Sharon Bio-Medicine Ltd.

Savita Gowda  
Managing Director

Place : Mumbai

Date : 07.09.2006

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.****ITEM NO 6**

The Board of Directors of the company has appointed Mr. Vijay Kirpalani as an Additional Director of the company from 17/01/2006. He holds office upto the ensuing Annual General meeting of the Company. The Company has received notice from some members along with the requisite deposit nominating his name for appointment as the director of the Company in the ensuing Annual general meeting. Accordingly the resolution for his appointment as the director of the company is placed before the members for approval. The Directors feel that the association of Mr. Vijay Kirpalani will benefit the company immensely.

The Directors recommend passing of the resolution.

Except for Mr. Vijay Kirpalani none of the other Directors are concerned or interested in the resolution.

**ITEM NO 7**

The Board Of Directors of the company had appointed Dr. Nivvedita Patil Kartik as an Additional Director of the company from 09-06-2006. She holds office up to the ensuing Annual General meeting of the Company. The Company has received notice from some members along with the requisite deposit nominating his name for appointment as the Director of the Company in the ensuing Annual general meeting. Accordingly the resolution for her appointment as the Director of the company is placed before the members for approval. The directors feel that the association of Dr. Nivvedita Patil Kartik will benefit the company immensely.

The Directors recommend passing of the resolution.

Except for Dr. Nivvedita Patil Kartik none of the other Directors are concerned or interested in the resolution.

By the order of Board of Directors  
For Sharon Bio-Medicine Ltd.

Savita Gowda  
Managing Director

Place : Mumbai

Date : 07.09.2006





## DIRECTORS' REPORT

Dear shareholders,

Your directors are pleased to present their 17th annual report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors Report for the financial period ended June 30th 2006. The Financial highlights for the period under review are given below.

### COMPANY'S PERFORMANCE:

Your Company has achieved turnover of Rs. 8926.61 lacs for the year-ended 30.06.2006 as against the turnover of Rs. 3695.83 lacs for the year-ended 30.06.2005.

The Financial Results are as under:

	30.06.2006	Rs. In Lacs 30.06.2005
Turnover & Other Income	8926.61	3695.83
Profit Before Depreciation, Interest, Extra ordinary items & Tax (PBID&T)	1403.42	295.81
Interest	63.48	47.75
Depreciation	55.70	50.62
Profit Before Tax & Extra-ordinary Item	1284.24	197.44
Loss on sale of Motor Car	---	1.17
Provision for Tax	200.00	7.00
Provision for Deferred Tax Liability	8.82	15.62
Provision for Fringe Benefit tax	2.75	---
Earlier Year Tax Adjustment	0.23	---
Profit after Tax	1072.90	173.65
Amount brought forward	277.10	153.45
Amount available for appropriation	1350.00	327.10
<b>APPROPRIATIONS:</b>		
General Reserve	200.00	50.00
Provision for Proposed Dividend	100.32	---
Provision for Dividend Tax	14.07	---
Balance Carried Forward	1035.62	277.10

### PERFORMANCE REVIEW :

Your Director are pleased to report a highly successful and much more favorable year ended 2006 for the Company. We delivered an excellent overall operating performance generating further growth in profits and cash flows. Our turnover increased by 142 % to Rs. 8926.61 Lacs and profit after tax grew by 554 % to Rs. 1072.90 Lacs. The earning per share increased by 518 % to Rs. 10.69.

The outstanding performance of the Company for the year ended 2006 stemmed from several fronts. To begin with, the company was able to cash in effectively on its aggressive marketing, development and outsourcing of new products. The Company continues to make strong margins due to its cost efficient capabilities.

The standards of quality, perfection and specifications has been meticulously maintained. The unabated steps for continued modernization at plants and for operation with new technical know-how has been taken by the management to keep its head high as a leader in pharmaceutical business.

Further, your Company has invested in Building & Plant & Machinery at Taloja Unit which is as per the guidelines of Schedule M as recommended by Food & Drugs Administration during the year.



**DIVIDEND:**

The Directors are pleased to recommend dividend of 10% (i.e. Rs. 1.00 per Equity share) on equity capital for the year ended June 30,2006. The dividend shall be paid on 1,00,31,900 equity shares of the company. Dividend payout will be Rs. 1,00,31,900/- and Dividend Distribution tax will be Rs. 14,06,974/-

**MARKETS :**

A key feature of Sharon's Business model is to maintain a healthy blend of business between the existing and emerging markets. We have had an outstanding year of performance, product launches and infrastructure buildup. Your Directors are pleased to say that we will be able to maintain the growth in terms of Sales and profitability with new Manufacturing Facilities to be created at Uttaranchal and Maharashtra in the next at least 3-4 years. Today your company is exporting its product to nearly 18 countries including USA, Canada, Germany, Switzerland etc. and hope to encash its existing market for its new products.

Further your company has already made some agreements with Foreign parties to sell its products in the international market and are very confident to have many more such type of agreement in future not only with foreign parties but as well as with reputed Local Companies for present & future products.



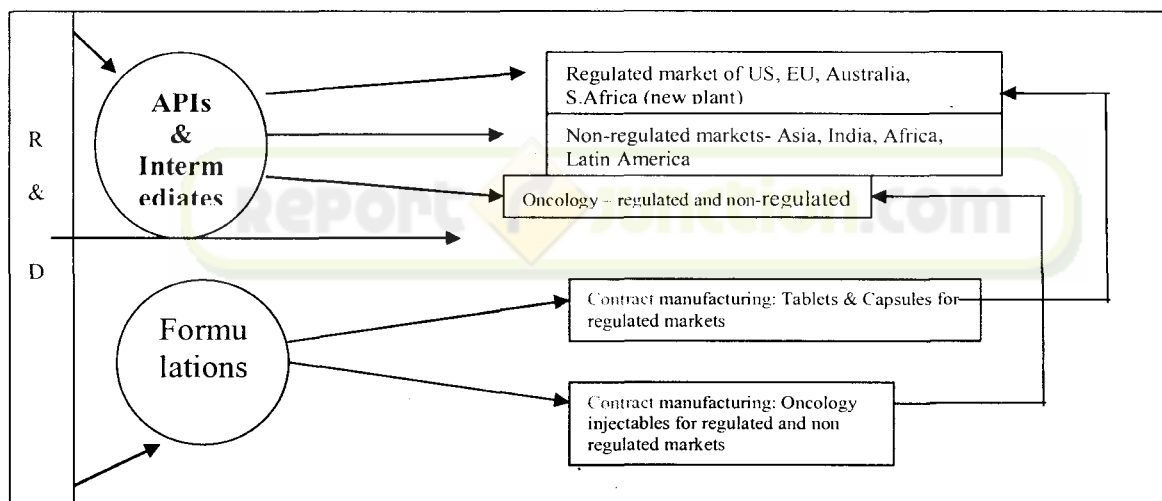


## NEW PROJECTS:

### FUTURE FOCUS:

The next few years represent an inflection point for Sharon, because to respond to the dynamic global pharmaceutical environment, Sharon has identified a critical growth driver to extend and transform its business model: contract manufacturing of formulations and oncology injectables, with the aim of straddling the entire pharmaceutical value chain right from intermediates on one end to formulations on the other and also to address high value therapeutic segments witnessing phenomenal traction and expected to emerge as future drivers for the pharmaceutical industry. To further add strength to its basket of offerings, the company plans to backward integrate by setting up a USFDA approved plant for the manufacture of oncology APIs, consolidate its presence in cardiovascular, anti-fungal and ulcerant APIs through the set-up of a USFDA standard plant, expand product pipelines by addressing the growing anti-depressant and anti-retro vials therapeutic segments and file DMFs for its key products to expedite entry into the regulated markets of the west.

Sharon's integrated plan is expected to transform it from being a hard-core bulk drug manufacturer to a high-end formulations provider, evolve its business model from a limited margin and opportunity business to a high margin and exponentially growing opportunity space and from a mere vendor to a trusted partner for long-term relationships.



### Forward Integration

#### Forward Integration: Contract Manufacturing: Plant 1

The first step on the company's roadmap of future expansion and forward integration is setting up a formulation plant in Dehradun, Uttaranchal for Contract manufacturing for tablets, capsules and injectables. The project work is in full swing and the company expects to start the production from December 2006.

#### Rationale and opportunity outlook

The company's prudent foray into contract manufacturing of formulations is vindicated by the following statistics :

- Molecules worth an estimated USD 75 bn will go off patent between the years 2007-10 qualifying them for generic manufacture.
- Demand for low-cost formulations is growing at a rapid pace across the world with world consumption of generics slated to grow by almost 12 per cent between 2004-08, taking the global generic market to USD 64 bn.
- Excessive overcrowding in the generics space has translated into a number of product originators intensively focussing on their core competence of discovery, development, branding, marketing of products while outsourcing manufacturing and development to low cost regions competent in carrying out multi-product development.