

SEVENTEENTH ANNUAL REPORT 2004



Shilpa Medicare Limited

(formerly Shilpa Antibiotics Limited)



BOARD OF DIRECTORS

OMPRAKASH INNANI

Chairman

VISHNUKANT BHUTADA

Managing Director

VENUGOPAL LOYA

Director

RAJENDRA KABRA

Director

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AUDITORS

Pushparaj Bhandari & Company

Raichur

REGISTERED OFFICE

10/80, 1st Floor, Rajendra Gunj,

Raichur - 584 102



Shilpa Medicare Limited

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of **SHILPA MEDICARE LIMITED** will be held at 10.45 A.M. on 27th September, 2004 at the registered office of the company to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st MARCH 2004, Profit and Loss Account for the year ended on that date and the Report of the Board of Directors and the Auditors thereon.
2. To Declare Dividend
3. To Appoint a Director in place of Sri. Om Prakash Innani, who retires by rotation and being eligible, offer himself for re-appointment.
4. "Resolved that M/s. Bohara Bhandari Bung And Associates, Chartered Accountants, be and are hereby appointed the Statutory Auditors of the Company and shall hold the office from the Conclusion this Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration."

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:
"Resolved that pursuant to the provisions of section 198, 269, 309 read with Schedule XIII and all other applicable provisions of the Companies Act 1956 (Including any statutory modification or re-enactment thereof for the time being in force) the consent of the company be and is hereby accorded to the reappointment of Sri. Vishnukanth. C. Bhutada the Managing Director of the Company for a period of 03 (Three) years, with effect from 1st September, 2004 on the Remuneration including Minimum Remuneration in the event of absence or inadequacy of profits as mentioned in the explanatory statement annexed to the Notice of Annual General Meeting."
6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:
"Resolved that pursuant to the provisions of section 293(1)d and all other applicable provisions of the Companies Act 1956, the consent of the company be and is hereby accorded to the Board of Directors of the Company to borrow loans and borrowings from Banks, Financial Institutions and or any persons aggregating to rupees 25 (Twenty five) Crores together with moneys already borrowed by the Company (excluding temporary loans obtained from the company's bankers in the ordinary course of business) on such terms and conditions as the board may think fit and proper which will or may exceed the aggregate of the paid up capital of the company and its free reserves"

for SHILPA MEDICARE LIMITED,

Place: Raichur

Dated: 31st July, 2004

(VISHNUKANTH .C. BHUTADA)
Managing Director



Shilpa Medicare Limited

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. A proxy in order to be effective must be received at the Company's Registered Office not less than 48 hours before the time of holding the meeting.
3. Member/proxies should bring the Attendance Slip duly filled in for attending the meeting.
4. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 A.M. and 1.00 P.M. up to the date of the Annual General Meeting.
5. The Register of Members and the Transfer Books of the Company will remain close from 26th Sep. to 1st Oct. 2004 (both days inclusive)

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the listing agreement, the particulars of directors who are proposed/reappointed are given below.

1. Name	Sri.Om Prakash Innani
Age	47 years
Qualification	Commerce Graduate
Experience	In Business and Trade for over 25 years. Director of the company since inception.

OTHER DIRECTORSHIPS:

Name of the Company	Position held
Shilpa Organics Pvt. Ltd	Director
Bhakra Investments Pvt. Ltd.	Director

2.Name	Sri.Vishnukanth.C.Bhutada
Age	44 years
Qualification	B.Pharm
Experience	In Industry for over 17 years. Managing Director of the company since inception.

OTHER DIRECTORSHIPS:

Name of the Company	Position held
Shilpa Finvest Pvt. Ltd	Director

By Order of the Board
For SHILPA MEDICARE LIMITED;

Place: Raichur

Dated:31st July,2004

(VISHNUKANTH .C. BHUTADA)
Managing Director

Shilpa Medicare Limited



EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956:

Item No.5

The present term of office of Sri. Vishnukanth.C.Bhutada, Managing Director of the company will be expiring on 31st August 2004.

The Board of Directors has resolved to reappoint Sri. Vishnukanth C.Bhutada as Managing Director for a further period of 3(Three) years effective 1st September 2004 on terms and conditions as under:

1. SALARY: Rs.75, 000/- (Seventy Five Thousands) Only.
2. PERQUISITIES:
 - A. Furnished/unfurnished residential accommodation or House Rent Allowance of 50% of the Salary in lieu thereof. The expenditure incurred by the Company on Gas, Electricity, Water and furnishing shall be valued as per Income Tax Act, 1961.
 - B. Medical re-imbursement of actual medical expenses (including insurance premium for medical and hospitalization policy) if any for self and family.
 - C. Re-imbursement of Leave Travel Expenses once in a year for self and family, subject to one month's basic salary.
 - D. Club fee, subject to maximum of two clubs.
 - E. Leave and encashment of leave at the end of the tenure in accordance with the rules of the Company.
 - F. Personal Accident Insurance premium not to exceed Rs.6000/- per year.
 - G. Contribution to provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act 1961.
 - H. Gratuity payable at the rate not exceeding half a month salary for each completed year of service.
 - I. Car for use in Company's business and telephone at residence.
 - J. Such other benefits amenities and facilities as per the Company's rules.

In the event of absence or inadequacy of profits in any financial year the remuneration payable will not exceed the limits prescribed under the Companies Act, 1956 and the rules made there under or any statutory modification or enactment thereon for the time being in force.

Your Directors recommend the resolution.

Other than Sri. Vishnukanth.C.Bhutada none of the Directors are deemed to be interested.

Item No.6:

The Company has taken massive expansion and addition to its infrastructure and research and development to be in line with global requirements to keep the pace & growth in exports and may therefore opt for term funding depending upon the requirements.

The projected borrowing may cross the earlier sanction of the company of 10 crores and that the company cannot borrow except with the consent of the company in excess of its paid-up capital and free reserves and therefore the present resolution.

Your Directors recommend the resolution.

None of the Directors are deemed to be interested.



Shilpa Medicare Limited

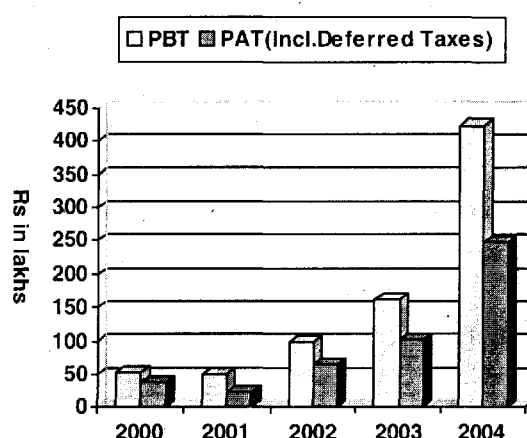
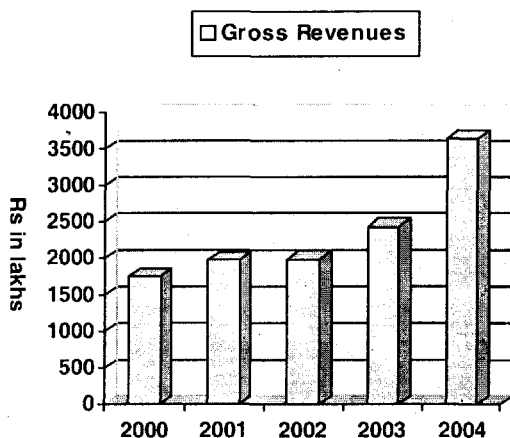
PERFORMANCES OF THE COMPANY AT GLANCE FOR PAST 5 YEARS

(Rs. In Lakhs)

PARTICULARS	1999-00	2000-01	2001-02	2002-03	2003-04
Gross Revenue	1753.77	1971.10	1986.00	2427.73	3643.15
Profit before Depreciation and Taxes.	84.80	85.49	123.30	191.98	504.84
Depreciation.	32.98	35.72	25.15	29.87	81.74
Taxes	15.25	28.00	33.41*	59.57*	174.09*
Profit After taxes	36.57	21.77	64.74	102.54	249.01
Dividend (Including Dividend tax)	29.40	29.61	26.88	30.41	44.94
PERFORMANCE PARAMETRES					
Net Fixed Assets.	273.82	279.20	277.81	602.46	904.58
Share Capital	264.88	268.71	268.83	268.83	274.37
Reserves & Surplus	358.49	369.90	365.24	437.37	658.48
Net Worth (net)	606.44	625.43	624.64	700.53	930.93
Return on Net Worth (%)	6.03	3.48	10.36	14.64	26.75
Borrowings**	156.67	130.16	52.98	172.74	254.07
Debt Equity Ratio (Gross)	0.26	0.21	0.08	0.25	0.27
Dividend (%)	10	10	10	10	15
Earnings per share. (Rs)	1.38	0.81	2.41	3.81	9.37

* Includes Deferred Taxes of the respective year.

**The Company has only Working Capital Borrowings and no Term Loans.



Shilpa Medicare Limited



DIRECTOR'S REPORT

The Director's have pleasure in presenting their annual report and accounts for the year ended 31-03-2004.

FINANCIAL RESULTS: (Rs.in lacs)

	<u>2003-04</u>	<u>2002-03</u>
Profit before Interest, Depreciation, and tax	541.73	212.98
Less: Interest	36.89	21.00
Depreciation	81.74	29.87
Profit before taxes	423.10	162.11
Less: Provision for taxes:		
1. Current Tax	30.53	16.20
2. Deferred Tax	143.56	43.37
Profit after taxes	249.01	102.54

YEAR IN RETROSPECT:

The sales and other income for the financial year under review were at **Rs.3643.15 (2427.73) Lacs** and the profit before tax is **Rs.423.10 (162.11) Lacs** and profit after tax is **Rs.249.01 (102.54) Lacs**. This improvement in result is due to periodical review of product mix; strict cost control measures and utilization of resources to its maximum usage which includes, Strict Inventory Control coupled with Revenues from Wind Energy.

Your company is a recognized EXPORT HOUSE and has during the year made an export of over **Rs.2531.12 lacs**, an increase of **163.66%** over the last year's exports of **Rs.960 lacs**. This is due to strict adherence of quality control, keeping up the time schedules and offering globally competitive rates, in spite of the fact that there has been high volatility in U.S. Dollar against the Indian Rupee.

During the year the company has started manufacturing Oncology Products (Anticancer Products) in bulk for the first time which has been well accepted in Domestic as well as the Global Markets.

During the year the company has added 0.60 MW Wind Turbine Converter to the existing capacity and was able to realize Rs.69.33 Lacs from sale of Wind energy.

FUTURE OUT LOOK:

The Bulk Drug Industry is passing through a rapid change in its infrastructure and innovation in production process with well equipped research and development facilities. The Company has under taken massive investment program to update its production process and research and development facilities in line with global standards.

The Company has also under taken to get its manufacturing facilities / products being registered in different countries and thereby keep the pace of export growth in the years to come. Baring unforeseen circumstance, the workings of the company shall have reasonable growth.

DIVIDEND:

Proposed Dividend in respect of financial year 2003-04 at Re. 1.50 Per share of Rs. 10/- each fully paid-up i.e. @ 15% to be paid to Equity Share Holders if approved as on the record date. The proposed dividend and tax thereon would absorb Rs. 44.94 lacs. As against Rs. 30.41 of the previous year.



Shilpa Medicare Limited

INSURANCE:

All the properties of the company have been properly and adequately insured.

REAPPOINTMENT OF DIRECTORS:

Sri.Om Prakash Innani, Chairman – Non Executive, retires at the ensuing Annual General Meeting and offers himself for appointment.

The term of Office of the Managing Director Sri. Vishnukanth.C.Bhutada expires on 31st Aug.2004 and the board has resolved to reappoint him on terms as given in the notice the Annual General Body Meeting.

DISCLOSURE OF PARTICULARS:

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earning and outgo are given in Annexure 'A' forming part of this report.

PARTICULARS OF EMPLOYEES:

During the year your company had no employees drawing remuneration equal to or more than the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTOR'S RESPONSIBILITY STATEMENT.

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors confirm as under:

- 1.In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- 2.That the Directors have 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 for the financial year ended 31st March,2004 and of the profit of the Company for that year.
- 3.That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the Assets of the company and for preventing and detecting fraud and other irregularities.
- 4.That the Directors have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS:

A report on the Management Discussion and Analysis for the year under review is annexed hereto and forms part of Annual report.

CORPORATE GOVERNANCE:

A separate section on Corporate Governance, along with a certificate from the auditors as required is annexed hereto and forms part of this report.

Shilpa Medicare Limited



AUDITORS:

M/s. Pushparaj Bhandari & Co. Chartered Accountants, Raichur, existing Auditor of the company retires at the ensuing Annual General Meeting and have declined for reappointment and therefore the board has decided to appoint M/s. Bohara Bhandari Bung And Associates, Chartered Accountants, Raichur, as the Statutory Auditor.

APPRECIATION:

Your Company and its Directors sincerely thank the company's Bankers for their continuing co-operation and assistance. The Board of Directors wishes to express its appreciation to all the employees of the company for their outstanding contribution during the year. The Directors thank the shareholders who have reposed their confidence.

By Order of the Board
For SHILPA MEDICARE LIMITED,

Place: RAICHUR

Dated: 31st July, 2004.

(VISHNUKANTH .C. BHUTADA)
Managing Director

ANNEXURES ATTACHED TO DIRECTOR'S REPORT.

The Company has taken all possible measures in optimizing the use of power & energy consumption.

POWER & ENERGY

Electricity

<u>PURCHASED:</u>	<u>Current Period</u>	<u>Previous Period</u>
Unit	7,24,235	4,93,145
Total amount of Duty	31,52,158	22,55,956
Rate/Unit	4.35	4.57

OWN GENERATION:

Through Diesel Generator Set (Qty of Diesel in Ltrs)	NIL	44,800
Value	NIL	8, 01,007
Per Liter Diesel	NIL	17.88

OWN GENERATION:

Through Generator Set (Qty of S.K.Oil in Ltrs)	48,000	NIL
Value	7, 58,514	NIL
Per Liter of Oil	15.80	NIL



Shilpa Medicare Limited

FIREWOOD

Quantity(Kgs)	NIL	9,86,475
Value(Rs)	NIL	5,81,261
Rate / Kg	NIL	0.59

COAL

Quantity(Kgs)	6,52,830	5,33,582
Value(Rs)	15,94,235	8,46,450
Rate / Kg	2.44	1.59

WHITE COAL

Quantity(Kgs)	12,000	NIL
Value(Rs)	18,150	NIL
Rate / Kg	1.51	NIL

B. TECHNOLOGY ABSORPTION:

(A) TECHNOLOGY ABSORPTION, REASEARCH AND DEVELOPMENT

Research and Development work concerning process improvement in respect of various Bulk drugs and Intermediates is carried out at company's work.

- 1. Specific areas in which R&D was carried out:**
Optimization of Process Parameters and controlling specific material Consumption.
- 2. Benefits derived:** Product stabilization at higher levels and reduction in cost.
- 3. Future plans:** A separate New Research and Development block is under progress.
- 4. Expenditure on R & D:** Not quantifiable.

Technology Absorption Adoption and Innovation:

- Efforts in brief towards Technology up gradation, absorption and adoption.
 - Utilization of Downstream production capacity.
 - Maximize solvent recovery.
 - Reduce steam consumption.
- Benefit derived as a result of above efforts.
It is difficult to quantify individual benefits of each change.

EARNINGS AND OUTGOINGS IN FOREIGN EXCHANGE:

The particulars with regard to Foreign Exchange earnings and outgoings appear in item No.13 (f) of Notes to Accounts.