

EIGHTEENTH ANNUAL REPORT 2005



Shilpa Medicare Limited
(formerly Shilpa Antibiotics Limited)

HOLDERS OF COS (CERTIFICATE OF SUITABILITY) FOR AMBROXOL HCL

HOLDERS OF WHO - GMP CERTIFICATE FOR 14 API'S

Shilpa Medicare Limited



BOARD OF DIRECTORS

OMPRAKASH INNANI

Chairman

VISHNUKANT BHUTADA

Managing Director

RAJENDRA KABRA

Director

VENUGOPAL LOYA

Director

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AUDITORS :

Bohra Bhandari Bung & Associates
Raichur.

REGISTERED OFFICE :

10/80, 1st Floor, Rajendra Gunj,
Raichur -584 102.

Shilpa Medicare Limited



NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of **SHILPA MEDICARE LIMITED** will be held at 10.45 A.M. on 30th September 2005 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 2005, 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. Rajendra Kabra, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint Auditors.

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 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 50 (Fifty) 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"
6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"Resolved that, pursuant to the applicable provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 including any statutory modifications or re-enactments thereof for the time being in force, the Securities Contracts (Regulation) Act, 1956 and the Rules framed there under, under any clause of Listing Agreement with Stock Exchanges and all other applicable rules, regulations and guidelines and subject to the approvals, consents, permissions or sanctions of the Stock Exchanges where the shares of the Company are listed, SEBI and other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof constituted by the Board), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Bangalore Stock Exchange and Ahmedabad Stock Exchange, without giving an exit option to the shareholders of the region where the aforesaid Stock Exchanges are situated and the Board of the Company be and are hereby authorised to do all necessary acts and deeds in this regard."

Place : Raichur

for SHILPA MEDICARE LIMITED,

Dated: 30th July 2005

(VISHNUKANTH .C. BHUTADA)
Managing Director

Shilpa Medicare Limited

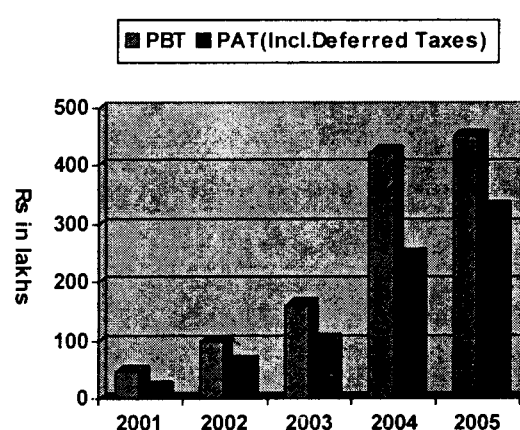
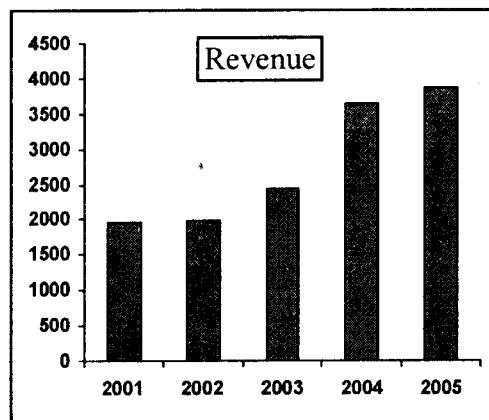


PERFORMANCES OF THE COMPANY AT GLANCE FOR PAST 5 YEARS

(Rs. In Lakhs)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05
Gross Revenue	1971.10	1986.00	2427.73	3643.15	3868.31
Profit before Depreciation and Taxes	85.49	123.30	191.98	504.84	552.79
Depreciation	35.72	25.15	29.87	81.74	100.70
Taxes	28.00	33.41*	59.57*	174.09*	123.95*
Profit After taxes	21.77	64.74	102.54	249.01	328.14
Dividend (Including Dividend tax)	29.61	26.88	30.41	44.94	45.04
PERFORMANCE PARAMETRES					
Net Fixed Assets	279.20	277.81	602.46	904.58	1590.37
Share Capital	268.71	268.83	268.83	274.37	274.37
Reserves & Surplus	369.90	365.24	437.37	658.48	941.57
Net Worth (net)	625.43	624.64	700.53	930.93	1215.94
Return on Net Worth (%)	3.48	10.36	14.64	26.75	26.99
Borrowings**	130.16**	52.98**	172.74**	254.07**	422.77
Debt Equity Ratio (Gross)	0.21	0.08	0.25	0.27	0.35
Dividend (%)	10	10	10	15	15
Earnings per share. (Rs)	0.81	2.41	3.81	9.37	12.35

* Includes Deferred Taxes of the respective year. **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 31-03-2005.

		(Rs.in lacs)
<u>FINANCIAL RESULTS :</u>	<u>2003-04</u>	<u>2004-05</u>
Profit before Interest, Depreciation, and tax	541.73	584.68
Less: Interest	36.89	31.89
Depreciation	81.74	100.70
Profit before taxes	423.10	452.09
Less : Provision for taxes :		
1. Current Tax	30.53	55.00
2. Deferred Tax	143.56	68.95
Profit after taxes	249.01	328.14

YEAR IN RETROSPECT :

The sales and other income for the financial year under review were at **Rs.3868.31 (3643.15) Lacs** and the profit before tax is **Rs.452.09 (423.10) Lacs** and profit after tax is **Rs.328.14 (249.01) 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.2947.59 lacs**, an increase of **16.45 %** over the last year's exports of **Rs.2531.12 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.

Oncology Products (Anticancer Products) of the company are well accepted in the global market and there has been steady growth in the orders for these products.

During the year the company has added 1.2 MW Wind Turbine Converter to the existing capacity and was able to realize **Rs.91.77 lacs** as against **Rs.69.33 lacs** of last year from sale of Wind energy.

POSITIVE DEVELOPMENTS :

Your Directors are please to inform that your company has received COS (Certificate of Suitability) for Ambroxal HCL. Your Company is the first company to receive such COS for Ambroxal HCL in India.

Your Company has also been awarded WHO - GMP (World Health Organisation) Certificate for its 12 (Twelve) products which include Oncology (Anti-Cancer Drugs) Products.

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.

Shilpa Medicare Limited



DIVIDEND :

Proposed Dividend in respect of financial year 2004-05 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. 45.04 lacs. As against Rs. 44.94 of the previous year.

INSURANCE :

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

REAPPOINTMENT OF DIRECTORS :

Sri. Rajendra Kabra, Director (Independent), retires at the ensuing Annual General Meeting and offers himself for appointment.

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,2005 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. Bohara Bhandari Bung And Associates, Chartered Accountants, Raichur, the existing auditors of the Company, retires at the ensuing Annual General Meeting and have given their consent for reappointment.

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: 30th July 2005

(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	6,32,384	7,24,235
Total amount of Duty	28,67,905	31,52,158
Rate/Unit	4.54	4.35
 <u>OWN GENERATION:</u>	 <u>Current Period</u>	 <u>Previous Period</u>
Through Diesel Generator Set (Qty of Diesel in Ltrs)	51,000	NIL
Value	12,21,182	NIL
Per Liter Diesel	23.94	NIL
 <u>COAL</u>	 <u>Current Period</u>	 <u>Previous Period</u>
Quantity(Kgs)	6,58,420	6,52,830
Value(Rs)	19,86,235	15,94,235
Rate / Kg	3.02	2.44
 <u>WHITE COAL</u>	 <u>Current Period</u>	 <u>Previous Period</u>
Quantity(Kgs)	74,340	12,000
Value(Rs)	2,24,403	18,150
Rate / Kg	3.02	1.51

Shilpa Medicare Limited



B. TECHNOLOGY ABSORPTION:

(A) TECHNOLOGY ABSORPTION, RESEARCH 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.
Development of new oncology products, Non-infringing process for oncology products.

2. Benefits derived:

Product stabilization at higher levels and reduction in cost -

- 1) New products developed.
- 2) Patents filed for new oncology products
- 3) WHO - GMP Certificate for 14 products obtained
- 4) Certificate of Suitability obtained for Ambroxol HCL.

3. Future plans:

A separate New Research and Development block is almost complete and shall be operational shortly.

4. Expenditure on R & D:

Not quantifiable.

Technology Absorption Adoption and Innovation :

1. Efforts in brief towards Technology up gradation, absorption and adoption.
 - Utilization of Downstream production capacity.
 - Maximize solvent recovery.
 - Reduce steam consumption.
2. 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.

Shilpa Medicare Limited



REPORT ON CORPORATE GOVERNANCE.

Company's Philosophy on Corporate Governance:

* The Company's philosophy on Corporate Governance is aimed at achieving transparency in the management of the Company for efficiency in conducting its business. The Company follows the policy of full disclosure and communication. It has a lean and flat corporate structure in consonance with its activity and to encourage and attain effective participation of each level of management; AND

* To enhance Shareholder's value through sound business decisions, prudent financial management, creating Corporate Goodwill and sound image building and high standard of business ethics

Board of Directors

Composition:

The board is flat and lean with four directors of which one is Promoter- Non Executive Chairman, One is Managing Directors and the rest two are Independent – non promoter Directors.

Details of number of Board meetings held, its dates, attendance by the directors and attendance of Directors in the latest AGM is an under :

In all 5(five) Board Meetings were held during the year.

Name of Directors	Category of Directorship	No. of Board Meeting attended	Attendance at the last AGM
Om Prakash Innani	Non-Executive – Chairman	05	Yes
Vishnukanth.C. Bhutada	Managing Director	05	Yes
Rajendra Kabra	Independent Non-executive	04	Yes
Venugopal Loya	Independent Non-executive	04	Yes

None of the Directors are Director (other than Private Limited Companies) are the members of any Committee as on the date of Directors Report.

Details of Directors being appointed and reappointed :

As per the requirements two-third of the Directors should constitute as retiring Directors. One third of such retiring Directors have to retire and if eligible can offer themselves for reappointment. Accordingly, Sri Rajendra Kabra retires by rotation at the ensuing Annual General Meeting & being eligible offers himself for re-appointment.

A brief resume of the aforesaid Director who is eligible for reappointment is Specified in the Notice Convening the ensuing Annual General Meeting.