

20th ANNUAL REPORT 2006-07

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Shilpa Medicare Limited



Oncology Production and Quality Control Facilities

20th ANNUAL GENERAL MEETING**Day : Wednesday****Date : 5th September, 2007****Time : 11.00 AM**

**Venue : Shilpa Medicare Limited
1st Floor, 10/80, Rajendra Gunj,
Raichur - 584 102. Karnataka.**

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COMPANY INFORMATION

BOARD OF DIRECTORS

Omprakash Innani	: Chairman
Vishnukant Bhutada	: Managing Director
Venugopal Loya	: Independent Director
Pramod Kasat	: Independent Director
Atim Kabra	: Director
Carlton Perriera	: Director

Company Secretary
V. Radhakrishna

Auditors

Bohara Bhandari Bung & Associates
Chartered Accountants,
Amar Complex, M.G. Road,
Raichur - 584 101

Registered Office

1st Floor, 10/80, Rajendra Gunj,
Raichur - 584 102.
Phone : 08532-235006, 235704
Fax : 08532-235876
E-mail: vbshilpa789@yahoo.co.in

Works

4-A, Deosugur Industrial Area,
Deosugur - 584 170 (Dist. Raichur)

100% EOU

33-33A, Raichur Growth Centre,
Wadloor Road,
Chicksugur Cross,
Chicksugur-584 134.
Raichur (Dist.)

Bankers

The Lakshmi Vilas Bank Ltd.

Registrars & Share Transfer Agent

M/s. Karvy Computershare Pvt. Ltd.
Plot No. 17 to 24, Vithalrao Nagar,
Madhapur, Hyderabad-500 081, A.P.
Tel: 040-23420815-28
Fax: 040-23420814/23420857
E-mail: mailmanager@karvy.com
Website: www.karvycomputershare.com

Board Committees

Audit Committee

Mr. Venugopal Loya - Chairman
Mr. Omprakash Innani - Member
Mr. Pramod Kasat - Member

Remuneration Committee

Mr. Pramod Kasat - Chairman
Mr. Venugopal Loya - Member
Mr. Omprakash Innani - Member

Shareholders/Investors Grievances Committee

Mr. Omprakash Innani - Chairman
Mr. Venugopal Loya - Member
Mr. Vishnukant Bhutada - Member

PERFORMANCE OF THE COMPANY AT GLANCE FOR PAST 5 YEARS

(Rs. in Lakhs)

	2002-03	2003-04*	2004-05	2005-06	2006-07
Gross Revenue	2427.73	3643.15	3868.31	4885.34	6983.13
Profit before Depreciation and Taxes	191.98	504.84	552.79	761.29	1200.20
Depreciation	29.87	81.74	100.70	176.79	187.33
Taxes*	59.57	174.09	123.95	188.05	303.41
Profit After Taxes	102.54	249.01	328.14	396.45	709.46
Dividend (Incl. Dividend Tax)	30.41	44.94	45.04	71.25	81.23

PERFORMANCE PARAMETERS

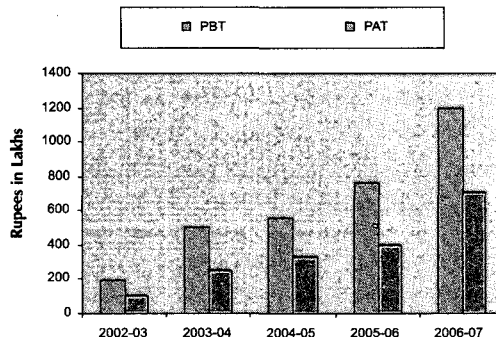
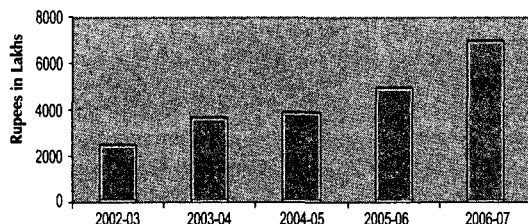
Net Fixed Assets	602.46	904.58	1590.37	1657.59	2921.15
Share Capital	268.83	274.37	274.37	347.15	347.15
Reserves & Surplus	437.37	658.48	941.57	3154.59	3773.80
Net Worth (Net)	700.53	930.93	1215.94	3501.74	4120.95
Return on Net Worth (%)	14.64	26.75	26.99	20.73@	17.22
Borrowings	172.74*	254.07*	422.77	210.59*	723.66*
Debt Equity Ratio (Gross)	0.25	0.27	0.35	0.06	0.18
Dividend (%)	10	15	15	18	20
Earnings per Share (Rs.)	3.81	9.37	12.35	13.56	20.44

* Includes Deferred Taxes of the respective year.

* Only Working Capital Borrowings and no Term Loans.

@On effective Net Worth

REVENUE





NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of the SHILPA MEDICARE LIMITED will be held on Wednesday, 5th September, 2007 at 11.00 AM at the Registered office of the Company at 10/80, 1st Floor, Rajendra Gunj, Raichur – 584 102 (Karnataka) to transact the following items of business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st of March, 2007 and the Balance Sheet as on that date together with the Report of the Board of Directors and the Auditors thereon.
2. To confirm the interim dividend paid for the financial year 2006-07.
3. To appoint a Director in place of Mr. Omprakash Innani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Bohara Bhandari Bung & Associates, Chartered Accountants be and is hereby re-appointed as the statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to 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 Mr. Atim Kabra, who was co-opted as an Additional Director of the Company by the Board of Directors and who hold office under Section 260 of the Companies Act, 1956, until the date of Annual General Meeting, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be is hereby appointed as a Director of the Company, liable to retire by rotation."

6. **To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution**

"RESOLVED THAT Mr. Carlton Perriera, who was co-opted as an Additional Director of the Company by the Board of Directors and who hold office under Section 260 of the Companies Act, 1956, until the date of Annual General Meeting, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be is hereby appointed as a Director of the Company, liable to retire by rotation."

7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution**

"RESOLVED THAT pursuant to the provisions of Sections 94,95 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the provisions of (Article 167 of the Articles of Association) of the Company, the Listing Agreement entered into between the Company and the various Stock Exchange applicable guidelines issued by the Securities and Exchange Board of India (SEBI) and other regulatory / statutory authorities and all other applicable rules and regulations and subject to such



other approvals, consents, permissions and sanctions of the said authorities or bodies, the consent of the Company be and is hereby accorded to the sub division of Authorised Share Capital of the Company comprising of 8000000 (Eighty Lakhs) Equity shares of Rs.10/- each into 40000000 (Four Crores) Equity shares of Rs.2/- each.

"RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and other applicable provisions of the Companies Act, 1956, the Memorandum of Association of the Company be altered by substituting the existing clause V (a) with the following new clause.

Clause – V (a)

The Authorised Share Capital of the Company is Rs. 80000000 (Rupees Eight Crores only) divided into 40000000 (Four Crores) Equity shares of Rs.2/- (Rupees Two only) each."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be altered by substituting the existing clause 4 with the following new clause.

Clause – 4:

"The Authorised Share Capital of the Company is Rs. 80000000 (Rupees Eight Crores only) divided into 40000000 (Four Crores only) equity shares of Rs.2/- (Rupees Two only) each and same may be increased or reduced as per the requirements of the business and in accordance with the provisions of the law."

"RESOLVED FURTHER THAT the nominal value of Equity Shares wherever it appears in the Memorandum of Association of the Company or any other documents of the company be replaced by Rs.2/- (Rupees Two only) in place of Rs.10/- (Rupees Ten)."

"RESOLVED FURTHER THAT the Board of Directors of the Company ("the Board", which expression shall also include a Committee thereof) be and are hereby authorised to issue new share certificates representing the sub-divided equity shares with new distinctive numbers, consequent to the sub-division of shares as aforesaid and/or credit the shareholders' accounts maintained with the Depositories, subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 and the Articles of Association of the Company and to inform the depositories and the Registrar and Transfer Agents of the Company and execute all such documents, instruments and writings as may be required in this connection and to delegate all or any of the powers herein vested in the Board, to any Committee thereof or to any Director(s), to give effect to the aforesaid resolution."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution

"RESOLVED THAT pursuant to the provisions of (Article 167 of) the Articles of Association of the Company and Sections 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Vishnukant Bhutada be and is hereby re-appointed as the Managing Director of the Company for a period of **Three Years** w.e.f. **1st Sep, 2007**, terminable by either side on three months notice or pay in lieu thereof, at the remuneration and on other terms set out below with liberty to the Board of Directors to sanction and/or vary the same within the overall limit of Rs.60 Lakhs/annum, as they in their discretion deem fit."



01.	Salary	Rs. 3,600,000 Per Annum
02.	Perquisites	
	A) H.R.A.	Rs. 1,260,000 Per Annum
	B) Medical Allowance	1 month's salary
	C) Club Fee for Two Clubs	
	D) Medical Accident Insurance Hospitalization and Domiciliary Hospitalization Benefit Policy and Personal Accident Insurance (For the purpose of calculating the ceiling on perquisites shall be evaluated as per Income Tax Rule.) (Family means spouse, dependent children and dependent parents)	
03.	In addition to above perquisites Managing Director shall also be entitled to the following benefits:	
	THESE BENEFITS SHALL NOT BE INCLUDED IN THE COMPUTATION OF CEILING ON PERQUISITES	
	Company's contribution towards Provident Fund, Superannuation or Annuity Fund	As per rules of the Company
	Gratuity	Not exceeding half month's salary for each completed year of service.
	Earned Privilege Leave	As per rules of the Company
	Car	Provision of Company's car with driver
	Telephone	Free telephone facility at residence
04.	Commission	1% of the profits

Terms and Conditions :

- The remuneration specified above except the Commission specified in the point no.04 above be payable to Mr. Vishnukant Bhutada as a minimum remuneration notwithstanding the loss or inadequacy of profit of the Company during the tenure of his office.
- Mr. Vishnukant Bhutada will exercise the management control over the affairs of the Company under the control, superintendence and direction of the Board of Directors.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NOS. 5 & 6

To broad base the Board and to get the able guidance and benefit of experienced and eminent personalities on the Board for the growth of the Company, Mr. Atim Kabra and Mr. Carlton Perriera had been co-opted as Additional Directors with effect from 27th October, 2006. As per the provisions of Section 260 of the Companies Act, 1956 they will hold the office as Additional Directors up to the ensuing Annual General Meeting of the Company. The Company has received special notices in writing from the members as per the provisions of section 257 of the Companies Act, 1956 proposing their appointment as Directors of the Company.

None of the Directors of the Company is interested in passing this resolution except Mr. Atim Kabra and Mr. Carlton Perriera.

ITEM NO.7

The shareholders are aware that the equity shares of the Company are listed on The Bombay Stock Exchange Limited, Mumbai (BSE) and are actively traded on this exchange.

In order to improve the liquidity of the Company's shares in the stock market, the Board of Directors of the Company ('the Board') at their meeting held on 26th April, 2007 considered sub-division of nominal value of the equity shares of the Company.

The shareholders may please note that presently the nominal value of the equity share is Rs.10/- each and consequent to the sub-division it is proposed to be divided into 5 (Five) equity shares of Rs.2/- each. On approval by the members, the Board would decide the record date and proceed for sub-division of shares.

The Board commends your approval for sub-division of shares as aforesaid.

The Directors of the Company are deemed to be concerned or interested in this resolution to the extent of shares held by them in the Company.

ITEM NO. 8

The Company is one of the active player in the bulk drugs market in the Country having its manufacturing facilities at Raichur, Karnataka. The products manufactured by the Company are exported to various countries and supplied in the country to the major pharmaceutical companies. Beside expansion of the bulk drugs manufacturing facility, the Company entered into Oncology products by taking up expansion programme at its existing facilities and by setting up an 100% EOU.

During the year 2006-07, the Company has achieved a turnover of Rs.6749.73 Lakhs as compared to Rs.4765.39 Lakhs in the previous year registering a growth of 41.64%.

The Company has initiated and implemented various measures to reduce cost with an aim to improve the over all performance of the Company. The Company is also exploring further avenues to strengthen its product base which continues to make a positive contribution despite over supply position in the market. The Company, through the efforts of its R&D is also experimenting alternate products for use as cost effective raw-material in its process. The endeavor of the Company is to explore and encash further avenues in this direction to sustain the growth.



The Company under the leadership of Mr. Vishnukant Bhutada has recorded a good growth all the years. With his initiatives and decisions the Company reached to this position today. He successfully completed various measures for expanding products base.

The Remuneration Committee has, considering the instrumental role played by Mr. Vishnukant Bhutada from the inception of the Company and the performance and achievements of the Company under his supervision, decided to recommend to the Board to consider the proposal to re-appoint as Managing Director for a term of 3 years with effect from 1st Sep, 07 at a remuneration and on the terms and conditions as set out in the resolution. The Board of Directors at their meeting held on 25th July, 2007 have considered the recommendations of Remuneration Committee and approved the same.

Mr. Vishnukant Bhutada, aged about 44 yrs, holds B.Pharm degree. He has about 20 yrs. of experience in the industry. He is instrumental in promoting and setting up of the Company. Mr. Vishnukant Bhutada, during his long association with the Company has had varied cross functional experience and exposed to the all areas of pharmaceutical business.

The Board considered and felt that the varied and rich experience of Mr. Vishnukant Bhutada will be a valuable asset for the Company. The proposed remuneration to the appointee is in line with the remuneration comparable to the size of the Company and also that of the industry and of the position and person.

Mr. Vishnukant Bhutada will exercise the management control over the whole of the affairs of the Company and will work under the control, superintendence and direction of the Board of Directors.

The appointment and remuneration payable to Mr. Vishnukant Bhutada as Managing Director require the approval of the shareholders in general meeting by way of Special Resolution in terms of provisions of Paragraph 1(B)(iii) of Section II of Part II and Part III of Schedule XIII of the Companies Act, 1956.

The Board of Directors recommend the Resolution for your approval.

The Resolution passed by the Board of Directors on 25th July, 2007 pertaining to the appointment and remuneration payable to Mr. Vishnukant Bhutada, as Managing Director is open for inspection to the members at the Registered Office of the Company between 10.00 AM to 12.00 Noon on any working day upto the date of the meeting.

None of the Directors of the Company except, Mr. Vishnukant Bhutada, being an appointee, is in any way, concerned or interested in the Resolution.

The above Notice and Explanatory Statement may also be taken as information U/s.302 of the Companies Act, 1956.

By order of the Board

Place : Raichur
Date : 25th July, 2007

R.V. Radhakrishna
Company Secretary