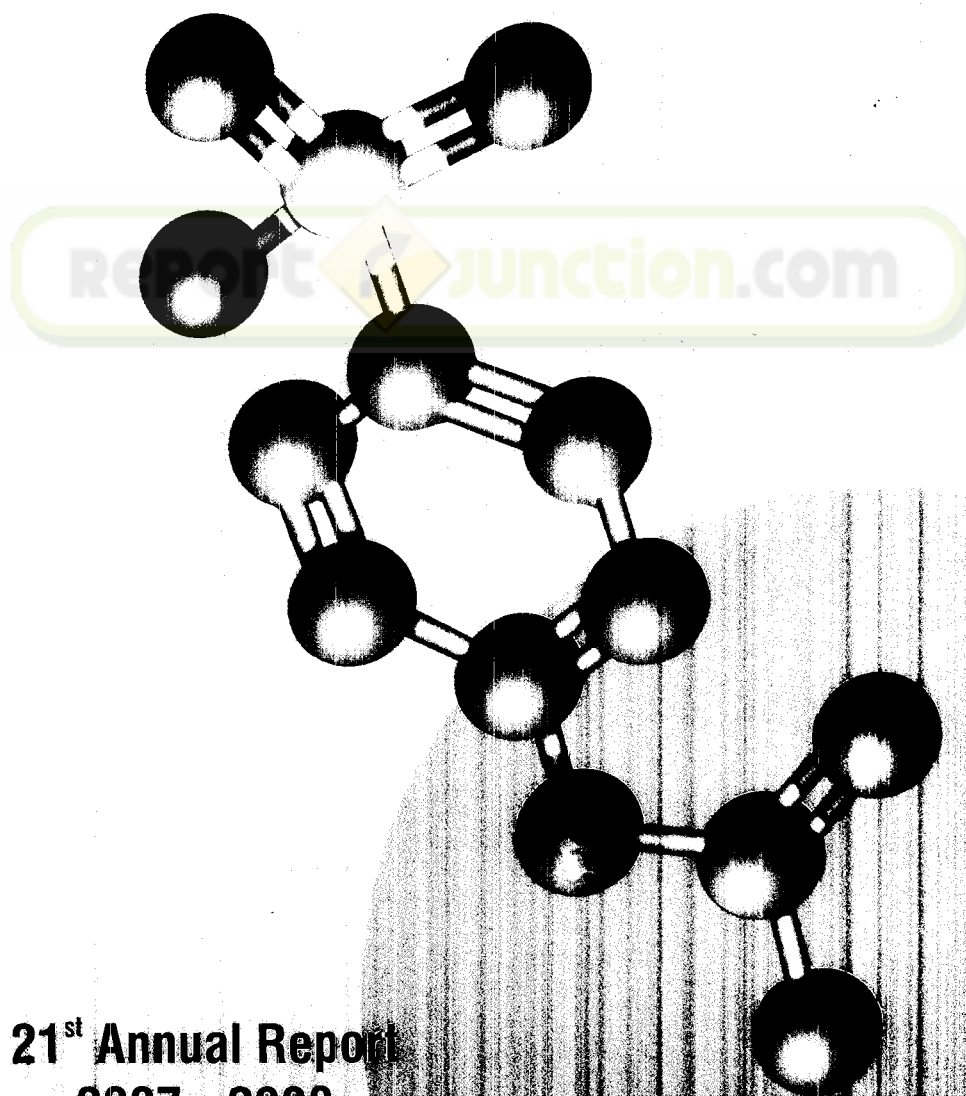




Shilpa Medicare Limited



21st Annual Report
2007 - 2008

Our vision

To become a leading supplier in pharmaceuticals in the world by 2010 with a focus on Oncology API's and formulations and contract research and manufacturing services.



Our mission



Shilpa's primary goal is to create cGMP facilities to manufacture Oncology Products that will enable to obtain approvals from EDQM, UK MHRA, TGA Australia, Health Canada and USFDA. By supplying products complying the above regulatory authorities to the pharmaceutical companies worldwide, Shilpa will provide an optimum return on investment to our investors, shareholders and our employees. The common people will also enjoy the highest quality products at a affordable prices.



21st ANNUAL GENERAL MEETING

Day : Friday

Time : 12.15 PM

Date : 19th September, 2008

Venue : Shilpa Medicare Limited,

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

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COMPANY INFORMATION

BOARD OF DIRECTORS

Omprakash Inani	: Chairman
Vishnukant Bhutada	: Managing Director
Atim Kabra	: Director
Carlton Perriera	: Director
Pramod Kasat	: Independent Director
Venugopal Loya	: Independent Director
Rajender Sunki Reddy	: Independent Director
N.P.S. Shinh	: Independent Director

Company Secretary
Nagalakshmi Popuri

Auditors

Bohara Bhandari Bung And 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: info@vbshilpa.com
Web : www.vbshilpa.com

Works

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

100% Export Oriented Unit
Raichur Growth Centre,
Wadloor Road, Chicksugur Cross,
Chicksugur-584 134. Raichur (Dist.)

Bankers

The Lakshmi Vilas Bank Ltd.
ICICI Bank Ltd.
State Bank of India
Axis 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

Venugopal Loya - Chairman
Omprakash Inani - Member
Pramod Kasat - Member

Remuneration Committee

Pramod Kasat - Chairman
Omprakash Inani - Member
Venugopal Loya - Member

Shareholders/Investors Grievances Committee

Omprakash Inani - Chairman
Vishnukant Bhutada - Member
Venugopal Loya - Member



PERFORMANCE OF THE COMPANY AT GLANCE FOR PAST 5 YEARS

(Rs. in Lakhs)

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross Revenue	3643.15	3868.31	4885.34	6983.13	9833.29
Profit before Depreciation and Taxes	504.84	552.79	761.29	1200.20	2031.73
Depreciation	81.74	100.70	176.79	187.33	351.09
Taxes*	174.09	123.95	188.05	303.41	543.62
Profit After Taxes	249.01	328.14	396.45	709.46	1137.02
Dividend (Incl. Dividend Tax)	44.94	45.04	71.25	81.23	99.56

PERFORMANCE PARAMETERS

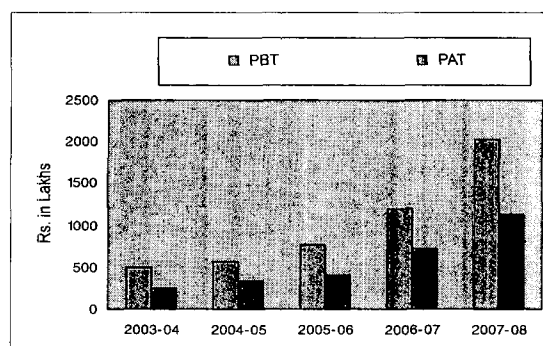
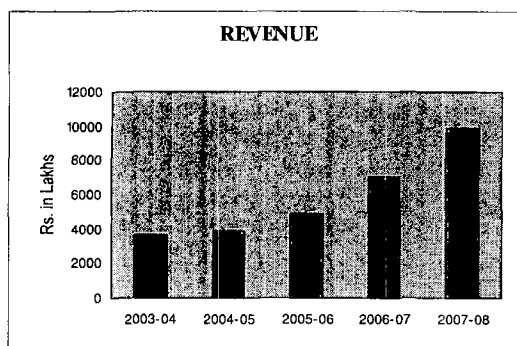
Net Fixed Assets	904.58	1590.37	1657.59	2921.15	8290.63
Share Capital	274.37	274.37	347.15	347.15	425.48
Reserves & Surplus	658.48	941.57	3154.59	3773.80	5111.71
Net Worth (Net)	930.93	1215.94	3501.74	4120.95	5537.19
Return on Net Worth (%)	26.75	26.99	20.73@	17.22	20.53
Borrowings	254.07*	422.77	210.59*	723.66*	7592.89
Debt Equity Ratio (Gross)	0.27	0.35	0.06	0.18	1.37
Dividend (%)	15	15	18	20	20
Earnings per Share (Rs.)	9.37	12.35	13.56	20.44	#5.34

* Includes Deferred Taxes of the respective year.

* Only Working Capital Borrowings and no Term Loans.

@ On effective Net Worth

on Rs. 2/- per share



**NOTICE**

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Friday 19th day of September, 2008 at 12.15 PM, 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, 2008 and the Balance Sheet as on that date together with the Report of the Board of Directors and the Auditors Report thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of **Mr.Venugopal Loya** who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr.Pramod Kasat** who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution

“RESOLVED THAT **M/s.Bohara Bhandari Bung And Associates**, Chartered Accountants be and are 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:

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

“RESOLVED THAT **Mr. Rajender Sunki Reddy**, who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office in terms of Section 260 of the Companies Act, 1956 (“the Act”), upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member Under Section 257 of the Act proposing his candidature for the office of a Director, be and is hereby appointed as an Independent Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT **Mr. N.P.S. Shinh**, who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office in terms of Section 260 of the Act, upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a Member Under Section 257 of the Act proposing his candidature for the office of a Director, be and is hereby appointed as an Independent Director of the Company, liable to retire by rotation.”



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

ITEM NOS. 6 & 7

To broad base and make the Board more independent to appraise the operational activities and assess the implementation of decisions and performance of the Company, the Board co-opted **Mr. Rajender Sunki Reddy** and **Mr N.P.S. Shinh** as Additional Directors and to act as Independent Directors of the Company with effect from 30.06.2008. As per the provisions of Section 260 of the Act, 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 Act, proposing their appointment as Directors of the Company. Considering their rich experience and to get the able guidance and benefit of experienced and eminent personalities, the Board recommends their appointment.

None of the Directors of the Company is interested in passing this resolution except **Mr. Rajender Sunki Reddy** and **Mr. N.P.S. Shinh** being the appointees.

By order of the Board of Directors
for **SHILPA MEDICARE LIMITED**,

Sd/-

Nagalakshmi Popuri
Company Secretary

Place: Mumbai

Date : 30th June, 2008

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxy forms in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company in respect of Equity shares will remain closed from 15.09.2008 to 19.09.2008 (both days inclusive).
4. M/s. Karvy Computershare Pvt. Ltd., Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad-500081, A.P. is the Share Transfer Agent (STA) of the Company. All communications in respect of share transfers and change in the address of the members may be communicated to them.
5. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such folios and send the relevant share certificate to the Share Transfer Agent/Company.
6. Members holding shares in physical form are informed to furnish their bank account details to the STA to have printed the same on the dividend warrants so as to avoid fraudulent encashment.



**Details of Directors seeking appointment / retiring by rotation and
seeking re-appointment
(In pursuance of Clause 49 of the Listing Agreement)**

1) Name of the Director : Mr.Venugopal Loya

Mr. Venugopal Loya, aged about 41 years, is a commerce graduate and an Industrialist. He has over 19 years of rich experience in the field of Business Management. He is the Chairman of Audit Committee and Member of Investors Grievance Committee of the Company.

Mr. Venugopal Loya does not hold any shares of the Company as on 31.03.2008.

2) Name of the Director : Mr.Pramod Kasat

Mr. Pramod Kasat, aged about 38 years, holds an Engineering Degree in Electrical and MBA in Finance. He joined IL&FS in 1995 after working for 3 years in various departments at Capital Markets Division of Citibank NA. During 1995 to 2002, he held various positions at IL&FS and gained rich experience in Investment Banking, Corporate Finance, Capital Markets and finance structuring for infrastructure projects. He served as head of the Western Region of IL&FS Financial Services Business, which includes Asset & Structured Finance & Investment Banking Business. In April 2007, he joined Deutsche Bank AG. He is on the Board of Shilpa Medicare Limited as an Independent Director since Jan'06 and also the Chairman of the Remuneration Committee and a Member of Audit Committee.

Mr. Pramod Kasat does not hold any shares of the Company as on 31.03.2008.

3) Name of the Director : Mr. Rajender Sunki Reddy

Mr. Rajender Reddy, aged about 44 years, is a Post Graduate in Pharma. He started his career as a lecturer and went on to serve as Principal of Rural College of Pharmacy, Devanhally (near Bangalore).

He is the Founder Secretary of the reputed "Navodaya Education Trust, Raichur". Under his stewardship several institutions of Medical, Para-Medical, Dental, Pharmacy, Nursing, Physiotherapy and host of other institutions equipped with modern facilities have been running in sprawling "Navodaya Nagar".

Mr. Reddy is a member of several associations and is also a Syndicate Member of Rajiv Gandhi University of Health Sciences, Bangalore.

Mr. Reddy was holding 11500 shares of Shilpa Medicare Ltd as on 31.03.2008 in his name.

4) Name of the Director : Mr. N.P.S. Shinh.

Mr. Shinh, aged about 63 years, completed his graduation in Commerce and secured Law degree with distinction and became a faculty of MBA in Delhi University.

Mr. Shinh has mastered in the art of turning around the sick/loss making companies with his rich knowledge of the management. He was appointed as Executive Director at the age of 28 years of Andhra Cements Ltd, a BIFR Company. In a short period, he re-started the operations and turned it around. At present, he is a promoter of two BIFR Companies belonging to G.P.Goenka group i.e. Bakelite Hylam Ltd and National Standard Duncan Ltd. National Standard Duncan Ltd is already out of BIFR under his leadership.

Mr. Shinh does not hold any shares of the Company as on 31.03.2008.

DIRECTORS REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting herewith the 21st Annual Report of your Company together with the Audited Accounts for the Financial Year ended 31st March, 2008.

FINANCIAL RESULTS:

Rs. in lakhs

PARTICULARS	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Sales	9,581.28	6,839.45
Other Income	252.01	235.57
Profit before depreciation and Income tax	2,031.73	1,372.89
Depreciation	351.09	229.51
Net profit before tax	1,680.64	1,143.38
Provision for taxation		
a. Current tax	320.50	231.11
b. Deferred tax	221.02	115.21
c. Fringe Benefit Tax	2.10	1.61
Profit after tax	1,137.02	795.45
Prior period adjustment	(39.13)	(9.03)
Brought forward from previous year	1,790.36	1,120.17
Profit before transfer to General Reserve	2,888.25	1,906.59
Transfer to General Reserve	100.00	35.00
Provision for proposed Dividend and Dividend Tax	99.56	81.23
Balance carried to Balance Sheet	2,688.69	1,790.36

The above figures includes the results of the existing unit, 100% EOU which commenced partial production in march'08 and erstwhile Shilpa Organics (P) Ltd, which has been merged with the Company.

DIVIDEND:

Your Directors have recommended a dividend of 20% (last year 20%) for the financial year ended 31st March 2008. The dividend including dividend tax will absorb a sum of Rs.99.56 lacs (Previous year Rs.81.23 lacs). The Shareholders of the merged Company are also eligible for the dividend.

FIXED DEPOSITS:

Your Company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 during the year.

OVERALL PERFORMANCE OF THE COMPANY:

During the year under review, your Company has achieved a total turnover of **Rs. 9581.28 Lakhs** compared to the last year's turnover of Rs. 6839.45 Lakhs an increase of 40.09% and recorded a net profit of **Rs.1137.02 Lakhs** compared to Rs.795.45 Lakhs an increase of 42.94% during the previous year.



Your Company is a recognized "Star Export House" and during the year has made an export of **Rs 7124.34 Lakhs**, an increase of 33.23% over the last year's exports of Rs **5347.41 Lakhs** which attributes to Company's strict adherence to Quality Control, keeping up the delivery schedules and offering globally competitive rates. In spite of high volatility in U.S. Dollar against the Indian Rupee, Company has sustained the growth.

In recognition of excellent performance on export front, your Company was recognized as "Star Export House" from "Export House" by the Ministry of Commerce & Industry in the current financial year. Besides this, your Company also received the following awards :-

- i). Karnataka State Award for Excellence in Exports.
- ii). Federation of Karnataka Chambers of Commerce and Industry Award for Excellence in Exports.
- iii). Safety Award from GRISD – Bellary Chapter & Karnataka State Safety Organization.

Oncology Products (Anti-cancer) 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 received COS from EDQM for products Oxaliplatin, Carboplatin, Buflomedil HCL.

FRESH INVESTMENT

The Company has invested totally a sum of Rs.5445.22 Lakhs and Rs.1635.72 Lakhs in Indian manufacturing units and in Austrian Company through wholly owned subsidiary respectively.

As reported in the last Annual Report, the Company had tied-up the funds for the 100% EOU Project. Your Company has drawn the entire sanctioned amount and also invested major loan amount including margin money. Due to increase in the Capacity compared with the initially envisaged and changes in the design and statutory requirements, and general inflation, there is a over - run in the Project Cost. To meet such over-run the Company has obtained Term Loan from the Axis Bank Ltd.

As a responsible Corporate Citizen, Shilpa Medicare Ltd has a great concern about the environment and always look for opportunities to manage it's Business in sustainable manner. The Company has installed two Biomass Fired Boiler having capacity of 10TPH & 6 TPH at it's manufacturing facility in Industrial Growth Centre, Raichur, Karnataka.

The Company understands that the Biomass Fired Boiler Project would not only reduce the emission of Green House Gasses but also has the potential to qualify for not only Clean Development Methods (CDM) under "Kyoto Protocol", the potential CDM Revenue will make the Biomass Fired Boiler Project economically attractive.

The Company is also implementing/proposed to implement better technology driven Energy Efficient Equipment/Measures by proposing to install the Ammonia Vapour Absorption Machine, Ammonia Compressors for chilling applications, automation of Pumps, Reactors, HVAC systems & usage of latest & best available technologies in Reverse Osmosis, (RO) for effluent treatment, there by conserving the steam energy, which would also reduce the emission of Green House Gasses and has the potential to be qualified under Clean Development Methods (CDM) Project under the "Kyoto Protocol". With CDM Revenue, this kind of Energy efficient equipment/measures become attractive as a project activity.

AMALGAMATION OF SHILPA ORGANICS (PVT) LTD., WITH THE COMPANY

After obtaining No Objection from the Bombay Stock Exchange Ltd, the Company filed petition before the Hon. High Court of Karnataka, for approval of the scheme of amalgamation with Shilpa Organics (P) Ltd. The Hon Court has passed the orders approving the scheme on 27th March 2008. This merger will result in strengthening the production base, reduction in overheads etc.