

# 26<sup>th</sup> Annual Report 2012 - 2013



***Shilpa Medicare Limited***



“Secured National Energy Conservation Award-2012  
the first prize in the Drugs & Pharmaceutical Sector from Government of India,  
Ministry of Power and the award was conferred by President of India.”



**Registered Office**

1<sup>st</sup> Floor, 10/80, Rajendra Gunj, Raichur – 584102 (Karnataka)

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# Company Information

## BOARD OF DIRECTORS

**Omprakash Inani**, Chairman  
**Vishnukant C Bhutada**, Managing Director  
**Ajeet Singh Karan**, Independent Director  
**Carlton Felix Pereira**, Independent Director  
**Pramod Kasat**, Independent Director  
**Venugopal Loya**, Independent Director  
**Rajender Sunki Reddy**, Independent Director  
**N.P.S Shinh**, Independent Director

### Board Committees

#### Audit Committee

**Venugopal Loya**, Chairman  
**Omprakash Inani**, Member  
**Pramod Kasat**, Member  
**Rajender Sunki Reddy**, Member

#### Remuneration Committee

**Pramod Kasat**, Chairman  
**Venugopal Loya**, Member  
**Omprakash Inani**, Member

#### Investor Grievances Committee

**Omprakash Inani**, Chairman  
**Venugopal Loya**, Member  
**Vishnukant C Bhutada**, Member

### Company Secretary

**Nagalakshmi Popuri**

### Auditors

#### Bohara Bhandari Bung And Associates

Chartered Accountants  
Amar Complex, M.G. Road  
Raichur – 584 101

### Registrars & Share Transfer Agent

M/s. Karvy Computershare Pvt. Ltd.  
Plot No. 17 to 24, Vithalrao Nagar,  
Madhapur, Hyderabad-500 081  
Tel : 040-23420815-28  
Fax : 040-23420814/23420857  
Email : [mailmanager@karvy.com](mailto:mailmanager@karvy.com)  
Website : [www.karvycomputershare.com](http://www.karvycomputershare.com)

### Registered Office

1<sup>st</sup> Floor, 10/80, Rajendra Gunj  
Raichur – 584102 (Karnataka)  
Phone: 08532-235704, 235006  
Fax: 08532-235876,  
Email: [info@vbshilpa.com](mailto:info@vbshilpa.com)  
Web: [www.vbshilpa.com](http://www.vbshilpa.com)

### Works

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

### 100 % Export Oriented Unit

33-33A, 40-47,  
Raichur Industrial Growth Center,  
Wadloor Road, Chicksugur Cross,  
Chicksugur – 584134.(Raichur District)

### SEZ Unit

Plot No. S-20 to S-24/A, Pharma SEZ  
APIIC Green Industrial Park,  
Pollepally village, Jadcherla mandal,  
Dist – Mahaboobnagar – 509301 (AP)

### Bankers

The Lakshmi Vilas Bank Ltd  
Standard Chartered Bank Ltd  
Axis Bank Ltd

## Performance of the Company Standalone at Glance for 5 Years

(₹. In Lakhs)

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Gross Revenue( Net of Excise duty)	13670.24	23557.90	26285.60	28754.54	33320.22
Profit before Depreciation, Extraordinary Item & Taxes	2206.45	7700.89	7625.74	6210.34	6846.86
Depreciation	604.37	976.47	1042.10	1143.84	1275.36
PBT	1602.08	6724.42	6583.64	5129.21	5561.13
Taxes*	860.38	2123.15	1491.11	1154.45	965.17
PAT & Extraordinary Item	741.7	4601.27	5092.53	#' 3974.76	#'4595.96
Dividend (Inc. Dividend Tax )	128.84	180.37	224.12	256.52	370.53

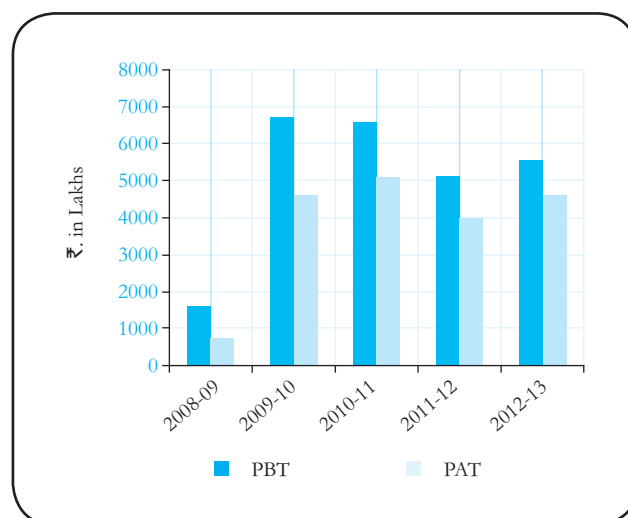
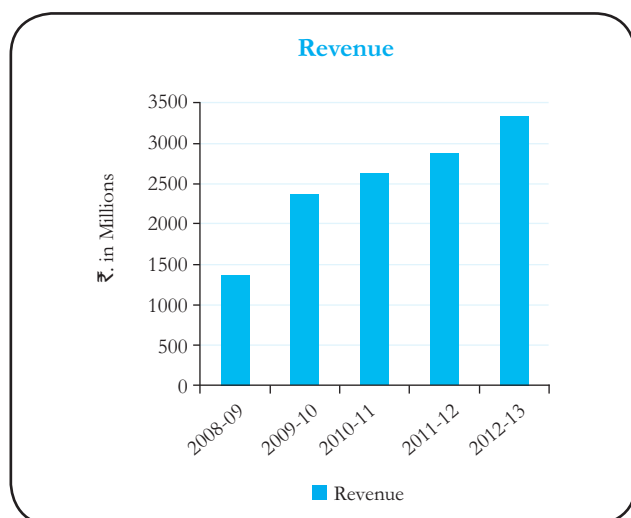
### Performance Parameters

Net Fixed Assets	12724.30	12793.88	12709.48	14084.14	15255.58
Share Capital	440.48	440.48	480.48	490.48	490.58
Reserves & Surplus	6344.36	10778.98	22603.09	28239.44	32588.13
Net Worth (Net)	6784.84	11219.46	23083.57	28729.92	33078.71
Returns on Net Worth (%)	@10.93	41.02	22.06	13.83	13.89
Borrowings	9732.66	6746.74	5097.41	5486.43	9816.58
Debt Equity Ratio (Gross )	1.43	0.60	0.22	0.19	0.30
Dividend (%)	25	35	40	45	65
Earning per share	3.40	20.89	22.08	16.54	18.74

\* Includes Deferred taxes of the respective year.

@ Reduced due to impact of exchange fluctuation on Profit.

# Effect of exchange fluctuation on Long Term Borrowings & investment in foreign subsidiary Company considered as per option given vide MCA notification no GSR 914 (E) dt 29.12.2011





## Notice

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the members of the Company will be held on Saturday the 20<sup>th</sup> day of July, 2013 at 11.30 AM at Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur- 584101, Karnataka to transact the following items of business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2013 and the Profit and Loss Account for the year ended on that date along with report of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a director in place of **Mr. Rajender Sunki Reddy** who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr. N.P.S. Shinh** who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of **Mr. Omprakash Inani** who retires by rotation and being eligible, offers himself for re-appointment.

6. To appoint Statutory 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 Ordinary resolution.

“**RESOLVED THAT** M/s. Bohara Bhandari Bung & Associates, Chartered Accountants, Registration No. 0081275 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.”

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

Place : Raichur  
Date : 20-06-2013

**Nagalakshmi Popuri**  
Company Secretary

## Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy forms in order to be effective must be deposited at the Registered office of the Company not less than 48 hours before the meeting.
3. 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.
4. Members seeking any information or clarification on the accounts are requested to send queries in writing to the Registered office of the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries at the meeting.
5. Securities and Exchange Board of India, vide Circular Ref. No. MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the said circular, all share transfer requests received after 20<sup>th</sup> May, 2009 should therefore be accompanied with PAN details.
6. All the shareholders and beneficial owners who have not claimed the dividend for the years 2006-07 to 2011-12 are requested to submit their claims immediately to the Company/ STA for respective dividends. The dividends unclaimed for 7 years will be transferred to Investor Education and Protection Fund and the shareholders are not entitled to make any claim from the said Fund in relation to the transferred unclaimed- dividends.
7. The annual accounts of the subsidiary companies and the related detailed information are available for inspection of any shareholders at the Registered Office of the Company during business hours and shall be provided to the shareholders who seek such information.
8. Members/Proxies are requested to bring their copies of the Annual Report to the AGM and the Attendance slip duly filled in for attending AGM. Copies of Annual Report will not be provided at the AGM.
9. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
10. Members holding shares in physical form may obtain the Nomination forms from the Company's Registrar & Share Transfer Agents and members holding shares in electronic form may obtain the Nomination form from their respective Depository Participants.
11. Members holding Shares in physical form may write to the Company/Registrar & Share Transfer Agents (RTA)

for any change in their address and bank mandates; members having shares in electronic form may inform the same to their depository participants immediately.

**12. Brief Profile of Directors seeking re-appointment at the 26<sup>th</sup> Annual General Meeting (pursuant to Clause 49 of the Listing Agreement ) is as under:-**

a	Name	Mr. Rajender Sunki Reddy	Mr. N.P.S. Shinh	Mr. Omprakash Inani
b	<b>Brief Resume</b>			
	i) Age	49 years	67 years	57 Years
	ii) Qualification	PG in Pharma	B.Com, LLB and MBA from Delhi University	B.Com
	iii) Experience & Nature of expertise in specific functional Areas	Having rich exposure in the field of Pharma and Medical Education. He is the founder secretary of Navodaya Educational Trust, Raichur which is running several institutions of Medical, Engineering, Dental, Pharmacy, Para-Medical, Nursing and a host of other educational institutions.	Expert in the art of turning around the sick/ loss making companies into profitable. He has the quality of managing the companies in difficult times and bringing them out of problems. He is an able administration and resolving critical issues.	Being the Chairman of the Company since its formation he got very good knowledge of all the functional areas. He is one of the key persons in the management decisions, having very good experience in the field of business and functional aspects of the Company.
	iv) Date of appointment on the Board of the Company	30-06-2008	30-06-2008	23-03-1988
c)	Names of other companies in which directorship held	a) Raichem Medicare (P) Ltd b) Nu Therapeutics (P) Ltd c) Prass Agro Farms (P) Ltd d) Sri Navodaya Super Specialty Hospitals (P) Ltd e) Sri Navodaya Institute of Medical Sciences (P) Ltd	a) Bakelite Hylam Ltd b) National Standard (India) Limited c) Avaya Holding and Trading (P) Limited d) Mountain Holdings and Trading (P) Ltd e) Ezra Trading and Finance Company Ltd f) Bakelite Coatings & Paints (P) Ltd g) National Standard Tyre Moulds (India) Ltd h) Mountain Dew Properties Ltd i) Bakelite Properties (P) Ltd j) Mystic Woods Holdings & Trading (P) Ltd k) Blitzkrieg Trading (P) Ltd l) Adamas Trading (P) Ltd m) Strawberry Trading (P) Ltd	a) Bhakara Investments (P) Ltd b) Srinidhi Cottons (P) Ltd. c) Mansarovar Health Club (P) Ltd
d)	Name(s) of companies in which committee Membership(s) held #	<b>Shilpa Medicare Ltd</b> a) Audit Committee	Nil	<b>Shilpa Medicare Ltd</b> a) Audit Committee b) Investors' Grievance Committee

<b>a</b>	<b>Name</b>	<b>Mr. Rajender Sunki Reddy</b>	<b>Mr. N.P.S. Shinh</b>	<b>Mr. Omprakash Inani</b>
e)	No. of shares of ₹.2/- each held by the Director	5300	4064	779776
f)	Relationship between Directors inter se ( As per section 6 and schedule 1A of the Companies Act, 1956)	None	None	He is related to Mr.Vishnukanth C. Bhutada, Managing Director

# Only membership in Audit and Investors' Grievance Committees are considered



## Director's Report

To,  
The Shareholders,

Your Directors have pleasure in presenting herewith the 26<sup>th</sup> Annual Report on the business of Your Company together with the Audited Accounts for the financial year ended 31<sup>st</sup> March, 2013.

### FINANCIAL RESULTS

(₹. In Lakhs)

PARTICULARS	Financial Year 2012-13		Financial Year 2011-12	
	Standalone	Consolidated	Standalone	Consolidated
Sales (Net of ED)	32819.59	37132.34	27,975.94	31,818.19
Other Income	500.64	501.05	778.60	828.16
Profit before Interest, Depreciation, Income Tax & Exchange Fluctuation	6852.03	7272.66	6,707.67	7,240.71
Interest	135.94	143.60	149.20	167.41
Depreciation	1275.36	1533.99	1,143.85	1,436.24
Exchange Fluctuation Loss(+)/ Income (-)	(120.40)	(104.81)	285.41	286.26
Net Profit before Tax	5561.13	5699.88	5,129.21	5,350.80
<b>Provision for Taxation</b>				
a. Current Tax	1061.11	1080.18	1,080.19	1,090.41
b. Less: MAT credit entitlement	(248.19)	(248.19)	(308.21)	(310.80)
c. Deferred tax	152.25	121.08	382.47	442.83
<b>Profit after Tax</b>	4595.96	4746.80	3,974.76	4,128.35
<b>Less:</b> Share in Losses of Associates	-	-	-	-
Prior Period adjustment (Loss)	-	(0.28)	-	(16.97)
Brought forward from previous year	14514.76	13438.94	11,321.52	10,096.62
Profit available for appropriation	19110.72	18185.46	15296.28	14208.00
Transfer to General Reserve	525.00	525.00	525.00	525.00
Provision for proposed Dividend and dividend tax	370.53	370.53	256.52	256.52
<b>Add:</b> Loss/(Profit) pertaining to Minority rate	NA	(12.31)	NA	12.46
Balance Carried to Balance Sheet	18215.19	17227.52	14514.76	13438.94

### Review of Operations:

Your Company maintained its growth with sales registering a growth of 17.31%. Despite competition, material cost increases and significant investments in expansion, Profit before Tax grew by 8.42%, and Profit before Interest, Depreciation, Exchange fluctuation and Tax grew by 2.15% over previous year. Cash generation from Operations continued favorable, driven by business performance and management of working capital. Your Company continues to concentrate on better working capital management and fund raising to meet its future expansion plans.

During the year, your Company has continued to export to various countries and earned valuable foreign exchange of ₹.24517.05 Lacs (PY ₹. 22,791.75 lacs).

### Dividend:

Your Directors recommended dividend of Re.1.30 i.e. 65% (₹.0.90 i.e.45%) per equity share of ₹.2/- each for the financial year under review absorbing an amount of ₹.370.53 lacs (PY 256.52 Lacs) inclusive of dividend tax.

### Bonus Shares:

Your Directors recommended a bonus issue in the ratio of 1 (One) bonus share for every 2 (two) existing shares at their meeting held on 29<sup>th</sup> May, 2013. The Company is in the process of compliance of bonus issue procedures.

### Research & Development:

Your Company continues to be committed to Research and Development of new processes/ new materials for medicines that will reduce the cost of drug to make available expensive drugs to common man at affordable price. Your Company initiated various research studies in Oncology drugs.

To strengthen quality of drugs, the Company enhanced its existing quality standards to meet the requirements of various regulatory bodies.

### Key Achievements for the Financial Year 2012-13

With **Shilpa Medicare Ltd.**'s rapid expanding R&D activities in the last few years, Year 2012-13 has generated extensive intangible assets (as patent/ trademark) to align its upcoming

Key Business Strategies in the Pharma domain successfully.

In view of maintaining its leading role in Pharma business, particularly focusing on ONCOLOGY APIs and Formulations, R&D centres at RAICHUR & VIZAG have generated significant amount of patentable work, which expectedly may have meaningful impact on our future business aiming for affordable healthcare.

### Patents filed in the FY 2012-2013 :

- 18 Patent Applications –Filed in INDIA
- 02 Trademark Applications –Filed in INDIA
- 4 Patent Applications –Filed in USA
- 3 Patent Applications –Filed in Europe (EPO)
- 1 Patent Application –Filed in Japan
- 7 International Patent Applications –Published as PCT
- 2 New International Patent Applications –Filed as PCT

### DMFs filed in the FY 2012-2013

Imatinib Mesylate : China

Bendamustine HCl : Austria, Cyprus, Denmark, Finland, Iceland, Ireland, Norway, Poland, Slovakia, Spain

Busulfan : TGA-Australia

Irinotecan : Hungary, Romania, Slovenia,

Temozolomide : KFDA-Korea, Sweden.

Capecitabine : TGA-Australia, Zoledronic Acid - Sweden.

### Product Transfer during from April 2012 to March 2013 for commercial production.

1. Azacytidine
2. Decitabine
3. Letrozole USP
4. Docetaxel (open side chain) EP
5. Gabapentin USP/EP
6. Imatinib Mesylate (New ROS)

The Company has implemented the energy Efficient technologies and utilised renewable energy for its energy requirements and has established biomass based steam Generation unit which has reduced the emission of green house gases per year, that produce Thermal Energy for its process Requirements which is qualified as Clean Development Methods (CDM) Project under Kyoto protocol and Registered this project with UNFCCC under CDM, with the project identification No. 3926 on 25th Dec 2010,

The project activity was undertaken as a CDM (Clean Development Mechanism)

under Kyoto Protocol in 2008. Reputed validation firm DNV (Det Norske Veritas)

was appointed for carrying out the CDM validation and finally the project was

finally with UNFCCC on 25th December 2010

The Monitoring Report from 1st January 2011 to October 2012 was prepared for

Verification and DNV has verified the figures as quoted in the monitoring report

and finally the project has been submitted to UNFCCC for issuance of the CER's.

The Company has earned 24900 CER's during this period

Apart From the above the Company has Implemented other Energy saving Measures and has conserved both Electrical & Thermal Energy as given below :

Sl. No	Description	UOM	2010-11	2011-12
1	Specific Electrical Energy Consumption	KWH/MT	18349	15122
2	Specific Thermal Energy Consumption	MKcal/MT	70.30	66

**The Company has Secured National Energy Conservation award -2012, First prize in Pharmaceutical Sector from Government of India, Ministry of Power and the award was conferred by President of India**

The Company is committed to being a responsible steward of the environment for the well being of our employees, stakeholders and the community at large. In this process the company was certified for ISO14001.

### Expansion And New Projects

With the merger of Raichem Life Sciences Private Limited the operations will be expanded into formulations. Testing of machinery and other equipment is in progress and other work is as per the schedule. Commercial operations of formulations plant are expected to be commenced by middle of the current financial year.

Other expansion projects of the Company are also progressing as per the schedule including R&D Projects.

### Certificates & AWARDS:

During the year, your Company received following important approvals/awards beside state award for Best Exporter:

- Shilpa:**
- i) Certificate of GMP compliance of manufacturer from "Freie Und Hansestadt- Hamburg" for Deosugur and EOU sites;
  - ii) National Energy Conservation Award for the year 2012 in "Drugs and Pharmaceuticals Sector".

Loba Feinchemie, Subsidiary Company became one of the 100 Companies of Austria, which were certified for quality as per ISO-9000 Standards for longest period i.e. 20 (Twenty) continuous years.

### Merger Of Raichem Life Sciences Private Limited

With the approval of High Court of Andhra Pradesh vide its order dated 31<sup>st</sup> August, 2012 Raichem Life Science Private Limited (RLSPL), a 100% subsidiary Company, has been merged with the Company w.e.f. 01-04-2011 being the appointed date for merger.