

22<sup>nd</sup> ANNUAL GENERAL MEETING

**Day :** Wednesday      **Time :** 11.00 AM      **Date :** 30th September, 2009

**Venue :** Hotel Nrupatunga,  
Ambedkar Circle, Station Road, Raichur - 584 101. Karnataka

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

<b>Omprakash Inani</b>	:	Chairman
<b>Vishnukant Bhutada</b>	:	Managing Director
<b>Atim Kabra</b>	:	Director
<b>Carlton Felix Periera</b>	:	Director
<b>Pramod Kasat</b>	:	Independent Director
<b>Venugopal Loya</b>	:	Independent Director
<b>Rajendra Sunki Reddy</b>	:	Independent Director
<b>N.P.S. Shinh</b>	:	Independent Director

### Board Committees

#### Audit Committee

Venugopal Loya - Chairman  
Omprakash Inani - Member  
Pramod Kasat - Member  
Rajendra Sunki Reddy-Member

#### Remuneration Committee

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

#### Investors Grievances Committee

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

#### Company Secretary

Nagalakshmi Popuri

#### 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. (Karnataka)  
Phone : 08532-235006, 235704  
Fax : 08532-235876  
E-mail: info@vbshilpa.com  
Web : www.vbshilpa.com

#### Works

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

#### 100 Percent Export Oriented Unit

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

#### 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

## PERFORMANCE OF THE COMPANY STANDALONE AT GLANCE FOR 5 YEARS

(Rs. in Lakhs)

	2004-05	2005-06	2006-07	2007-08	2008-09
Gross Revenue	3868.31	4885.34	6983.13	9557.69	13670.24
Profit before Depreciation and Taxes	552.79	761.29	1200.20	2031.73	2206.45
Depreciation	100.70	176.79	187.33	351.09	604.37
Taxes *	123.95	188.05	303.41	543.62	860.38
Profit After Taxes	328.14	396.45	709.46	1137.02	741.70
Dividend (Incl. Dividend Tax)	45.04	71.25	81.23	99.56	128.84

## PERFORMANCE PARAMETERS

Net Fixed Assets	1590.37	1657.59	2921.15	8290.63	12724.30
Share Capital	274.37	347.15	347.15	425.48	440.48
Reserves & Surplus	941.57	3154.59	3773.80	5111.71	6344.36
Net Worth (Net)	1215.94	3501.74	4120.95	5537.19	6784.84
Return on Net Worth (%)	26.99	20.73@	17.22	20.53	@@10.93
Borrowings	422.77	210.59**	723.66**	7592.89	9707.41
Debt Equity Ratio (Gross)	0.35	0.06	0.18	1.37	1.43
Dividend (%)	15	18	20	20	25
Earning per Share (Rs.)	12.35	13.56	20.44	#5.34	#3.40

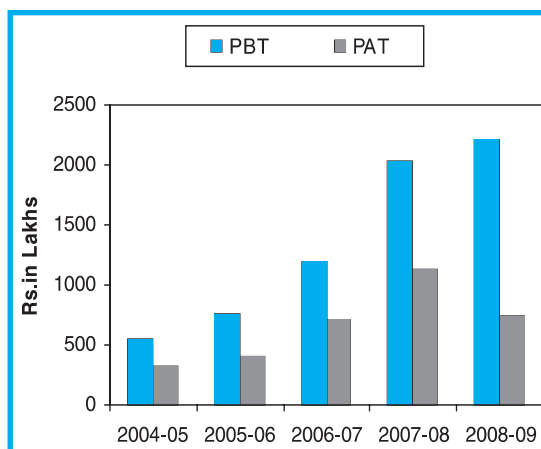
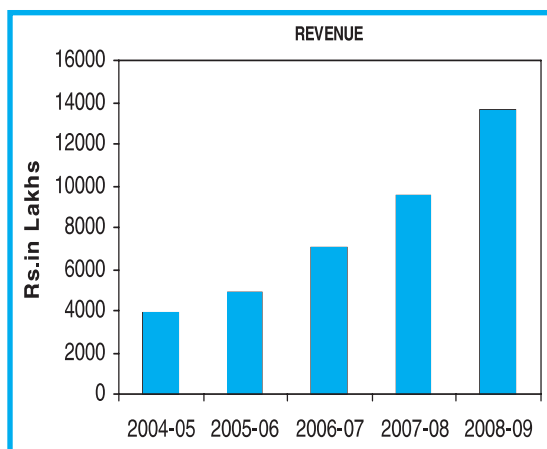
\* Includes Deferred Taxes of the respective year.

\*\* Only Working Capital Borrowings and no Term Loans.

@ On effective Net Worth

@@ Reduced due to impact of exchange fluctuation on ECB on Profit.

# On Rs. 2/- per share.





## NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held on Wednesday, the 30th day of September 2009 at 11.00 AM, Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur - 584 101, 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 March, 2009 and the Balance Sheet and other statements as on that date together with the Report of the Board of Directors and the Auditor's Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of **Mr. Atim Kabra** who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr. Carlton Felix Periera** 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 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 & 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:

7. **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 the Companies Act, 1956 **Dr. Abhay B. Upasani** in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act proposing his candidature for the office of a Director, be and is hereby appointed as a director of the Company, liable to retire by rotation."

8. **To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 314 (1B) of the Companies Act, 1956("Act"),(herewith referred to as the "Act" which shall include any statutory modification(s) or re-enactment(s) thereof) read with Director's Relatives (Office or Place of Profit) Rules, 2003, approval of Remuneration Committee and subject to the approval of Central Government, and subject to other consents, approvals, permissions as may be required, the consent be and is hereby accorded for the appointment of Mr. Deepak Inani, Manager (Marketing) of the Company and to hold an office or place of profit who is a relative of Mr. Omprakash Inani, Chairman of the Company, for a period of 5 (five) years and on such terms and conditions and on such remuneration payable to Mr. Deepak Inani which shall not exceed Rs.18,00,000/- (Rupees Eighteen Lakhs Only) per annum, w.e.f the 1st July, 2009 as detailed hereunder:

1.	Basic Salary	In the scale of Rs. 67,500/- (Rupees Sixty Seven Thousand Five Hundred Only) to Rs.80,000/- (Rupees Eighty Thousand Only) P.M. as decided by the board from time to time during the term of the Manager
2.	Perquisites and Allowances: A) House Rent Allowance B) Leave Travel Concession C) Personal Accident Insurance D) Personal Allowances E) Communication Facilities F) Medical Expenses :	Rs. 9000/- (Rupees Nine Thousand Only)PM One Month Salary As per the rules of the company Rs.11000/- (Rupees Eleven Thousand only) PM Free communication facilities like Telephones/ Internet/ Mobiles at residence Rs. 50000/- (Rupees Fifty Thousand only) Per annum
3.	In addition to above perquisites he 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  Gratuity  Reimbursement of Expenses  Earned Privilege Leave  Car	As per the rules of the Company  Shall not exceed half month salary, for each completed year of service  The expenses actually and properly incurred for the business of the company  Leave on full pay and allowances as applicable to other employees of the company but not exceeding one month for every 11 month's service  Free use of Company's car with driver

"FURTHER THAT the Board of Directors be and is hereby authorized to grant from time to time to Mr.Deepak Inani, such increment or increments as the Directors may, in their discretion think fit but so that his consolidated salary and perks shall not exceed Rs. 18,00,000/- P.A. during the entire 5 years"

"FURTHER THAT the Board of Directors be and is hereby authorize Mr.Vishnukant Bhutada, Managing Director and Mr.Omprakash Inani, Director severally to apply to Central Government and other requisite authorities for the approval of the above said resolution, to execute and furnish such documents, information and statements as may be required and to do all such necessary acts, deeds and things to give effect to the above resolutions"

**9. To consider and, if thought fit, to pass the following Resolution as Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Article 167 of the Articles of Association of the Company and Section 198, 269 & 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (herewith referred to as the "Act" which shall include any statutory modification(s) or re-enactment(s) thereof) and in supersession of special resolution passed on 5th September, 2007 at the 20th AGM, Mr.Vishnukant Bhutada be and is hereby re-appointed as the Managing Director of the Company for a period of Three Years effective from 1st September, 2009, 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, as they in their discretion deem fit."

1.	Basic Salary	Rs.500,000 (Rupees Five Lakhs Only) PM or as decided by the board from time to time during the term of the appointment
	Special Pay	Rs. 87500/- (Eighty Seven Thousand Five Hundred Only) PM
2.	Perquisites and Allowances:	
	A) House Rent Allowance	Rs.125000/- (Rupees One Lakh Twenty Five Thousand Only) PM
	B) Leave Travel Concession	One Month Salary i.e.Basic Pay
	C) Personal Accident Insurance	As per the rules of the company
	D) Communication Facilities	Free communication facilities like Telephones/ Internet/ Mobiles/ Fax at residence
	E) Personal Allowances	Rs. 75000/- (Rupees Seventy Five Thousand Only) PM
	F) Medical Expenses reimbursement for self & dependent parents/children	Rs. 50000/- per annum (Rupees Fifty Thousand Only)
3.	In addition to above perquisites he shall	also be entitled to the following benefits:
	THESE BENEFITS SHALL NOT BE INCLUDED IN THE COMPUTATION OF CEILING ON PERQUISTES:	
	Company's contribution towards Provident Fund, Superannuation or Annuity Fund	As per the rules of the Company
	Gratuity	Shall not exceed one month salary, for each completed year of service
	Reimbursement of Expenses	The expenses actually and properly incurred for the business of the company
	Earned Privilege Leave	Leave on full pay and allowances as applicable to other employees of the company but not exceeding one month for every 11 month's service
	Car	Free use of Company's car with driver

"FURTHER THAT remuneration by way of commission will be allowed in addition to salary but the aggregate amount of salary and commission shall not exceed 5% of Net Profit of the company calculated in terms of Section 198 & 349 of Companies Act,1956."

"FURTHER THAT Mr.Vishnukant Bhutada as Managing Director will exercise the management control all over the affairs of the Company under the control, superintendence and direction of the Board of Directors."

"FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution."

"RESOLVED THAT the Agreement to be entered into by the Company and Mr. Vishnukant Bhutada (a draft whereof is available at the Registered Office of the Company) be and is specifically approved and sanctioned."

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

Sd/-  
Nagalakshmi Popuri  
*Company Secretary*

Place: Hyderabad  
Date : 31<sup>st</sup> August, 2009

### 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. The Explanatory Statement in respect of the special business in the Notice, Pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Brief Profile of Mr. Abhay B. Upasani has been annexed alongwith explanatory statement in pursuance of Clause 49 of the listing Agreement.
4. Proxy forms in order to be effective must be received by the company not less than 48 hours before the meeting.
5. The Share Transfer Register and the Register of Members of the Company will remain closed from 26.09.2009 to 30.09.2009 (both days inclusive) **in connection with the Annual General Meeting and Dividend.**
6. The Dividend for the year ended 31st March, 2009 as recommended by the Board, if approved at the meeting, will be paid to those members whose names appear in the Company's Register of Members after effecting valid transfers received upto the close of business hours on 25th September, 2009. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on 30th September, 2009 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
7. 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.
8. Members seeking any information or clarification on the accounts are requested to send in writing queries to 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.
9. 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 above circular, all share transfer requests received after 20th May, 2009 should therefore be accompanied with PAN details.
10. 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.
11. 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.



## 12. Details of Directors seeking re-appointment at the upcoming 22nd Annual General Meeting (pursuant to Clause 49 of the Listing Agreement)

As required under the Listing Agreement, the particulars of Directors, Mr. Omprakash Inani, Mr. Carlton Felix Pereira, and Mr. Atim Kabra, who are proposed to be re-appointed are given below:

a Name	Mr. Omprakash Inani	Mr. Carlton Felix Pereira	Mr. Atim Kabra
b Brief Resume:			
i) Age	53 Years	42 Years	41 Years
ii) Qualification	B.Com	B.Com/ACA	M.A.Economics (Hons) from Delhi University and MMS (Finance) from Bombay University.
iii) Experience in specific functional area	27 Years	21 Years	16 Years
iv) Date of appointment on the Board of the Company (Shilpa Medicare Ltd.)	20.11.1987	27.10.2006	27.10.2006
c Nature of expertise in specific functional areas	Chairman of the Company. He is one of the key person in the management decisions having very good experience in the fields of business and functional aspects of the Company. He also monitors the operations of all the Plants	Highly experienced Finance, Taxation and Business Planning professional, has rich experience in relation to financial restructuring, transactions in M&A and PE activities.	Highly experienced in all facets of Finance, Complex problem solving, logical and critical thinking skills and highly experienced professional.
d Name(s) of the other Companies in which directorship held (as per Section 275 and 278 of the Companies Act, 1956)	1) Raichem Lifesciences Pvt. Ltd. 2) Bhakara Investments Pvt.Ltd. 3) Raichem Medicare (P) Ltd 4) Srinthi Cottons Pvt.Ltd.	1) Tano India Advisors Pvt.Ltd 2) SSIPL Retail Pvt.Ltd 3) ABG Motors Ltd 4) Anil Printers Ltd 5) Compact Travels (P) Ltd 6) Promac Engineering Industries Ltd	1) Astra Microwave Products Ltd 2) Krishna Saa Fabs (P) Ltd Foreign Companies/Organisations 1) Frontline Strategy Limited 2) Frontline Strategy Pte. Ltd 3) Strategic Ventures Fund (Mauritius) Ltd 4) CBay Systems Holdings Ltd 5) Jasmyn Capital Partners Pte Ltd 6) Indian Industrial Growth Fund Ltd
e Name(s) of Companies in which Committee Membership(s) held	1. Shilpa Medicare Ltd a) Audit Committee b) Remuneration Committee c) Investor Grievance Committee	Nil	1. Astra Microwave Products Ltd a) Management Review Committee-Chairman b) Audit Committee-Member c) Compensation Committee-Member d) Investor Grievance Committee-Member
f No. of shares of Rs.2/- each held by the Director	Self - 779776 Wife- 1254880	Self -Nil Wife - 9270	Nil
g Relationship between Directors inter se (As per Section 6 and Schedule 1A of the Companies Act,1956)	Related to Mr.Vishnukant Bhutada	-	-



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

### ITEM NO. 7

To broad base and make the Board more independent, to appraise the operational activities and assess the implementation of decisions and their impact on the performance of the Company, the Board proposed to co-opt Dr. Abhay B. Upasani as an Independent Director considering his exposure to pharma industry particularly in relation to new developments taking place in the global markets.

Dr. Abhay B. Upasani, aged about 47 years is a prominent doctor, A.G.I. Surgeon, G.I. Physiologist with MS, FICS, FIAGES, FACC (USA). He has good exposure in medical field and is a senior consultant doctor in Joy Hospital Mumbai, Lake City Hospital, Thane(W), Asian Heart Institute and Research Center(BKC), Jupiter Hospital Thane, Aditya Birla Hospital Chinchwad, Pune, Lokmanya Care Hospital Chinchwad - Pune and Deenanath Mangeshkar Hospital, Pune. He also has good knowledge of pharma industry particularly in relation to new drug delivery systems, clinical trials and developments taking place in the global healthcare. His appointment would be helpful to the Company to get into right direction in the future.

Dr. Abhay B. Upasani does not hold any shares of the Company as on 31st August, 2009 and also not holding Directorship of any other 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 his appointment as Directors of the Company. Considering his rich experience and to get the able guidance and benefit of experienced and eminent personalities, the Board recommends his appointment.

None of the Directors of the Company are interested in passing this resolution except Dr. Abhay B. Upasani being the appointee.

### ITEM NO. 8

The company is one of the leading manufacturer and marketeer of Oncology, Bulk Drugs & Intermediates in the country. The products manufactured by the company are exported to various countries like USA, Canada, Australia, Japan and European countries and other regulated and non-regulated markets. The company's business consists of the following Product Lines: (a) Oncology products (Gemcitabine, Irinotecan, Anastrozole, Oxaliplatin, Temozolomide etc.) (b) Bulk drugs (c) Drug Intermediates.

Mr. Deepak Inani, Manager (Marketing), a graduate in Commerce has started his career with the pharma marketing. He has been well exposed to all the aspects of marketing of pharmaceuticals especially in Oncology and Bulk Drugs. He is one of the key person for the market success of Company's Drugs. His rich experience and knowledge is helpful to the marketing division to penetrate new global markets. Considering his contribution to the Company for making commercially successful the drugs the Remuneration Committee has recommended his re-appointment on the terms and conditions as set out in the aforesaid resolution.

The business of Shilpa Medicare Limited in India and foreign countries has been growing over the years. This growth would need to be supported by efficient persons and processes. Mr. Deepak Inani with his vast experience has developed good understanding of the business of the Company and set in good marketing processes and systems for the business of the Company. He has complete knowledge of marketing strategy of the Company.

In the light of above, it is proposed to appoint Mr. Deepak Inani as a Manager (Marketing) for a period of 5 years commencing from 01st July, 2009. The remuneration proposed to be paid to Mr. Deepak Inani is commensurate with his experience and is in line with industry standards. The Board commends your approval for this resolution.



In view of the applicability of the provisions of Section 314(1B) of the Companies Act,1956 read with Directors Relative's (Office or Place of Profit) Rule,2003, the resolution is required to be passed as a Special Resolution and Mr.Deepak Inani's appointment shall be subject to approval of the Central Government which shall take effect from such date as may be approved by the Central Government in this regard.

The resolution is required to be passed as a Special Resolution and none of the Directors except Mr.Omprakash Inani, Chairman who is a relative of Mr.Deepak Inani is considered to be interested in this resolution. This may also be treated as memorandum issued pursuant to Section 302 of the Companies Act, 1956.

## ITEM NO.9

The Company under the leadership of Mr.Vishnukant Bhutada has initiated and successfully implemented various new business plans. Under his supervision the Company achieved better performance, efficiency improvement, quality enhancement. The main reason for the success is his choice of product range and focus, the rapid way he has added products, he knew what was in our control and what was not. What is in our control is, he can add products, market, etc but what he cannot control is competition and market price. During the previous year, under guidance of Mr.Vishnukant Bhutada, Managing Director , the Company has successfully completed erection and started the production at 100% EOU Plant and also increased the production capacity of other units.

The Board of Directors on 31st August, 2009 considered the reappointment of Mr.Vishnukant Bhutada as Managing Director on the recommendation of the Remuneration Committee. Considering the instrumental role played by Mr.Vishnukant Bhutada from inception of the Company and the performance and achievements of the Company under his supervision, it decided to recommend for approval of shareholders the proposal to re-appoint him for a period of Three years with effect from 1st September,2009 on the terms and conditions as setout in the resolution.

### A brief profile of Mr.Vishnukant Bhutada:

He is the key and instrumental person in promoting and bringing the Company to its present position. He is basically a pharmacy graduate and main guiding force behind the foundation of Shilpa Medicare Limited. Brought the Company to its present level of operations in API and Oncology segments. The Company got under his stewardship various awards latest being "**Emerging India Runner Award 2008**" instituted by CNBC. He is heading the Company with his vast experience in pharmaceutical industry and international marketing.

### Other Company Directorships:

Name of the Company	Position	Remarks
Raichem Lifesciences Private Limited	Director & Promoter	Subsidiary of Shilpa Medicare Limited
Shilpa Finvest Private Limited	Director	
Zatortia Holdings Ltd, Cyprus	Director	Subsidiary of Shilpa Medicare Limited
Raichem Medicare Private Ltd	Director & Promoter	Subsidiary of Shilpa Medicare Limited

None of the Directors of the Company except Mr.Vishnukant Bhutada and Mr.Omprakash Inani being related each other are concerned or interested in the resolution. This may also be treated as memorandum issued pursuant to Section 302 of the Companies Act,1956.

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

Sd/-  
Nagalakshmi Popuri  
*Company Secretary*

Place: Hyderabad  
Date : 31<sup>st</sup> August, 2009

**DIRECTORS REPORT**

To,  
The Shareholders,

Your Directors have pleasure in presenting herewith the 22nd Annual Report of your Company together with the Audited Accounts for the Financial Year ended 31<sup>st</sup> March, 2009.

**FINANCIAL RESULTS:**

Rs. in lakhs

PARTICULARS	Financial Year 2008-09		Financial Year 2007-08
	Standalone	Consolidated	Standalone
Sales (Net of ED)	13595.51	16643.22	9387.28
Other Income	74.73	103.64	170.41
Profit before interest depreciation, Income tax & Exchange Fluctuation	3748.83	3301.14	2035.14
Interest	499.52	576.75	85.01
Depreciation	604.37	941.10	351.09
Exchange Fluctuation Loss/(Income)	1042.86	1027.26	(81.60)
Net profit before tax	1602.08	756.03	1680.64
Provision for taxation			
a. Current tax	525.00	524.88	320.50
b. Deferred tax	332.18	332.18	221.02
c. Fringe Benefit Tax	3.20	3.20	2.10
Profit after tax	741.70	(104.23)	1137.02
Prior period adjustment (Loss)	14.79	14.79	(39.13)
Brought forward from previous year	2688.69	2682.94	1790.36
Profit before transfer to General Reserve	3445.18	2593.50	2888.25
Transfer to General Reserve	100.00	100.00	100.00
Provision for proposed Dividend and Dividend Tax	128.84	128.84	99.56
Add : Loss pertaining to Minority share	–	0.08	–
Balance carried to Balance Sheet	3216.34	2364.74	2688.69

**DIVIDEND**

Your Directors have recommended a dividend of Rs.0.50 per share i.e.25% (last year Rs.0.40 per share i.e.20%) for the financial year ended 31st March 2009. The dividend including dividend tax will absorb a sum of Rs. 128.84 lacs (Previous year Rs.99.56 lacs).

**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 turnover (net of excise duty) of Rs.13595.51 Lakhs (Rs.9387.28 Lakhs) an increase of 44.83% and recorded profit of Rs.2644.94 lacs (Rs.1762.24) before



providing for exchange fluctuation i.e. an increase of 50.09% over previous year and recorded profit after tax of Rs.741.70 lacs (1137.02) after providing exchange fluctuation of Rs.1042.86 lacs i.e. a drop of 34.77% compared to previous year.

Your Company is a recognized "Star Export House" and during the year has made an export of Rs.10216.42 Lakhs, an increase of 43.40% over the last year's exports of Rs.7124.34 Lakhs which attributes to Company's strict adherence to Quality Control, keeping up the delivery schedules and offering globally competitive rates. In spite of slowdown and recession world over and 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 and
- iv) Emerging India - Runner award for 2008 from CNBC.

Oncology: Your Company has made further progress in Oncology Products. Company's products are well accepted in the Global and Local Markets and there has been steady growth in the orders for these products.

### FRESH INVESTMENT

The Company has invested totally a sum of Rs.5220.98 Lakhs and Rs.1659.69 Lakhs in Indian manufacturing units and in Austrian Subsidiary 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 spent entire 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 was a over-run in the Project Cost, which was funded by The Axis Bank Ltd's Term Loan.

### INITIATIVES FOR IMPROVING ENVIRONMENT :

Your Company has installed two Biomass fired Biolers having capacity of 10 TPH & 6 TPH at it's manufacturing facility in Industrial Growth Centre, Raichur. The project has been undertaken as a CDM project activity with the intent to reduce GHG in thermal energy generation and to earn CDM Revenue which will make this project economically viable. As of now the global as well as local stakeholder consultation process has been done and no adverse comment has been received. Validation Team's site visit completed by one of the worlds leading validation and verification company 'DNV' and the validation process is in very advanced stage. It is expected that by the fourth Quarter of the FY 2009-2010, the project will be registered with UNFCCC. This project is a showcase project in Karnataka state and successful registration of this project will definitely encourage similar type of industries to adopt this cleaner technology.

The Company is under the process of implementing better technology driven energy efficient equipments & measures. This will involve installation of 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. These measures will reduce the emission of GHG and has the potential to qualify as CDM project under the "Kyoto Protocol". The CDM revenues will be crucial in the successful implementation of these measures.

### RATING OF BANK LOANS :

The Company's Long Term loans have been rated by CRISIL as BBB/Stable and Short Term Loan as P3+, considering the huge investment in the last one and half year rating is satisfactory.

#### PRE-PAYMENT OF TERM LOANS:

Considering the comfortable Cash Flows, your Company has advanced repayment to the tune of Rs.842 Lacs upto 05.08.2009, which will result in reduction in interest payment during the current financial year. Barring unforeseen circumstances, your Company intends to keep this momentum in next few months.

#### ISSUE OF SHARES TO WARRANTHOLDERS:

750000 Equity shares of Rs.2/- allotted to the warrant holders have since been listed on the Bombay Stock Exchange Ltd.

#### DIRECTORS

Mr.Omprakash Inani, Mr. Atim Kabra, Mr. Carlton Felix Periera and Mr.Pramod Kasat Directors will retire by rotation at the ensuing AGM. Being eligible they have offered themselves, except Mr.Pramod Kasat who expressed his inability to continue on the Board due to his pre-occupation, for re-appointment.

The Board considered the need to more professionalize the Board and assess the operations more independently as a part of good Corporate Governance and to get best professional advise by maintaining high corporate standards, decided to co-opt Mr.Abhay B. Upasani, a prominent doctor and who has good exposure to healthcare industry as well as pharma. A notice U/s.257 of the Companies Act, 1956 has been received proposing his appointment as a Director of the Company.

#### INFORMATION U/S 217(2A) OF THE COMPANIES ACT, 1956

Details of employees drawing remuneration exceeding limits prescribed U/s 217 (2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules, 1975 is attached with the report.

#### DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors of your Company hereby confirm that:

- i. In preparation of annual accounts for the financial year ended 31st March, 2009 the applicable Accounting Standards have been followed ;
- ii. 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 true and fair view of the state of affairs of the Company as at 31st March 2009 and of the profit and loss of the Company for the year ;
- iii. 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; and
- iv. The Directors have prepared the annual accounts on a going concern basis.

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the information is given as Annexure to this report.

#### RAICHEM LIFESCIENCES (P) LTD:

During the year this Company has become 100% subsidiary. For expanding the activities and taking the benefits of the facilities/strengths gained in the past 20 years, Company is entering the formulation business through this Company. It has already obtained Drug License and launched few products recently.



## RAICHEM MEDICARE (P) LTD:

Considering the good demand for Company's Custom Synthesis products and constraints in Company's existing plant for increasing the production facilities, your Company has formed a 50:50 joint venture with the Industria Chimica Emiliana S.r.l, Italy and Prodotti Chini Alimetari S.p.A, Italy. This will be implemented through a separate Company i.e. Raichem Medicare (P) Ltd, which has since been incorporated.

## CORPORATE GOVERNANCE

Your Company has complied with the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchange. Report on Corporate Governance including Auditor's Certificate on compliance with the code of Corporate Governance under Clause 49 of the listing agreement is enclosed as Annexure to this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## AUDITORS

The Statutory Auditors, M/s Bohara Bhandari Bung & Associates, Chartered Accountants, Raichur, hold office till the conclusion of ensuing Annual General Meeting and expressed their willingness for reappointment.

## ACKNOWLEDGEMENTS

Your Directors place on record, their appreciation for the co-operation and support from the Bankers, Financial Institutions, the Stockiest and Distributors, Suppliers and Customers.

Your Directors also place on record their sincere appreciation and gratitude to the Shareholders, Central and State Government agencies etc for their support and co-operation. Your Directors express their heartfelt gratitude to the employees for their exceptional commitment and loyalty to the Company.

For and on behalf of the Board

Place: Hyderabad  
Date: 31<sup>st</sup> August, 2009

**Omprakash Inani**  
Chairman

**ANNEXURES ATTACHED TO DIRECTORS REPORT**  
Form – “A”

Particulars under the Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1998.

**Conservation of Energy**

<b>A. Power and Fuel Consumption</b>	<b>2008-09</b>	<b>2007-08</b>
<b>1. Electricity</b>		
a) Purchased Unit (Kwh)	<b>2883684</b>	2671584
Total Amount (Rs.)	<b>13099274</b>	12056984
Rate/Unit (Rs.)	<b>4.54</b>	4.51
b) Own Generation		
Through Diesel Generator		
Unit (Kwh)	<b>164435</b>	120960
Units per Ltr of Diesel Oil (kwh)	<b>3.36</b>	3.35
Cost/Unit (Rs.)	<b>9.21</b>	8.55
<b>2. Paddy Husk</b>		
Qty (Kg)	<b>1294025</b>	26950
Value (Rs.)	<b>2440528</b>	33013
Rate/Kg (Rs.)	<b>1.89</b>	1.22
<b>3. Fire Wood</b>		
Qty (Kg)	<b>5812466</b>	2883014
Value (Rs.)	<b>9022308</b>	3602112
Rate/Kg (Rs.)	<b>1.55</b>	1.25
<b>B. Consumption * per Unit of Production</b>		
Electricity (Kwh)	<b>18.30</b>	12.43
Paddy Husk (Kg)	<b>7.77</b>	0.12
Wood (Kg)	<b>34.89</b>	13.18

**Note:** \*Production Unit is different for different products, hence consumption per unit cannot be worked out precisely. Therefore, here total quantity of production considered in kgs only.

**PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009**

Name & Age (Years)	Designation /Nature of Duties	Remuneration	Qualifications	Experience (Years)	Date of Joining Employer	Particulars of last Employment Name of Designation Period of Service
Vishnukant Bhutada (46 years)	Managing Director	Rs.64,32,000/-	B.Pharma	22 Years	Nov. 1987	None

**NOTES:**

1. Remuneration includes actual payment of salary, commission and/or taxable value of perquisites Company's contribution to Provident Fund.
2. Nature of appointment - The appointment is on contractual basis.
3. Other terms and conditions - As per the resolution of general meeting dt.19-9-2008.



## FORM – “B”

### PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

#### A. RESEARCH AND DEVELOPMENT (R&D)

#### B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

##### SPECIFIC AREAS IN WHICH R&D WAS CARRIED OUT

Research & Development activity gained momentum during the financial year. Development stage of our Oncology products is satisfactory.

##### BENEFITS DERIVED

Product stabilization and reduction of cost found non-infringing process for Oncology products. Further, Company plans to develop new products to increase revenue from Oncology products and share in the market.

##### EXPENDITURE

Total R&D expenditure during the year was Rs. 49.19 lakhs including capital expenditure of Rs.7.22 lakhs excluding first time investment in new plant. The corresponding previous year spends were Rs. 166.63 lakhs including capital expenditure of Rs. 140.18 lakhs.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:** Please refer Note No. 24 (F) of Notes to Accounts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Overview:

The Indian domestic pharmaceutical market is estimated to be US\$ 10.76 billion in 2008 and is expected to grow at a high compound annual growth rate (CAGR) of 9.9 per cent till 2010 and thereafter at a CAGR of 9.5 per cent till 2015.

Currently, the Indian pharmaceutical industry is one of the world's largest and most developed, ranking 4th in volume terms and 13th in value terms. The country accounted for 8 per cent of global production and 2 per cent of world markets in pharmaceuticals.

The Indian pharmaceutical offshoring industry is slated to become a US\$ 2.5 billion opportunity by 2012, thanks to lower R&D costs and a high-talent pool in India.

### ONCOLOGY MARKET IN INDIA:

The Indian Oncology market is currently worth around US\$ 225 million. It is expected to grow at a CAGR of more than 30% and is projected to reach US\$ 850 million by 2012. Cancer cases in India are on the rise with more than 3.5 million cases is estimated to be prevalent in India with a million new cancer cases being diagnosed every year. Among men, the cancer of the head and neck and in women cancer of cervix and breast among females are leading forms of Cancer. The oncology segment in India is now witnessing increasing domestic presence with a large number of Indian companies entering into the foray. Not only are these companies competing for the existing portfolio, but are also actively pursuing research for introduction of newer & improved specialty products.

### GLOBAL ONCOLOGY MARKET

The sale of cancer drugs is expected to grow at nearly the twice rate of rest of pharmaceutical industry growth. The oncology market is currently valued at US\$ 55 bn. With a large number of patents for many oncology products are due to expire shortly, which will give a lot of scope in oncology segment.



Your Company being one of the niche players in oncology products will certainly have good prospectus in the years to come as the demand for these drugs is expected to grow faster than other drugs. The Company will be one of the largest Oncology API manufacturers once the 100% EOU is fully operational.

Recession and fluctuations in the foreign exchange rates has affected the exports of the country to certain extent. However, the industry is expected to overcome these problems shortly and reach the normal growth levels. Apart from the developed countries, the people of third world countries are becoming health conscious which is leading to more demand for life saving drugs and new drug discovery.

### OUTLOOK ON OPPURTUNITIES

India's pharmaceuticals market is expected to grow by about 12-13 per cent in 2009. During February 2009, India's drug retail industry continued its healthy growth recording 13.3 per cent higher sales over the same month last year. India transitioned from a 'developing' market to an emerging one, with many multi-national pharmaceutical companies tapping into the huge potential of this market. Several factors, including the acceptance of intellectual property rights, a robust economy and the country's burgeoning healthcare needs have contributed to accelerate growth in the country. Emerging markets will become an increasingly important driver of global pharmaceutical growth in future years.

The Indian pharmaceutical industry will see tremendous growth in the coming years as consumer spending on healthcare is increasing in India. Consumer spending on healthcare is expected to increase from 7 per cent of GDP in 2007 to 13 per cent of GDP by 2015.

Keeping in view future demand and growth prospects your Company constructed EOU plant located near existing plants. The plant houses state of the art, imported equipment and production facilities. It is one of the single biggest production block separate from R&D lab in entire industry. The existing plants are also being renovated to equip the latest technology.

The Company is also entering into a Joint Venture agreement with Industria Chimica Emiliana S.r.l Italy and Prodotti Chini Alimentari S.p.a. Italy to set-up manufacturing facilities for its products through a special purpose vehicle namely Raichem Medicare Private Limited. The Company also acquired land in the Forma SEZ near Jedcherla in the state of Andhra Pradesh to set-up an R&D centre and Formulations unit through its 100% Raichem Lifesciences Private Limited.

Based on the future plans the Company entered into an Agreement to acquire 25.08% of equity stake in Nu Therapeutics Private Limited a formulation developing company with an option to acquire upto 50.1% of equity shares as a strategic investment.

The Company is pursuing to carry out contract manufacturing activity for reputed pharmaceutical companies. Efforts are being made to make a presence in CRAMS as well.

As the world market for Active Pharmaceutical Ingredients (API) is projected to grow by over 14% annually and is expected to cross \$46 billion by 2010. The Company is planning to play active role to capture significant market share.

Europe's 80% production API's are exported to the US. API market in Europe is highly competitive with large number of small & medium sized suppliers facing lot of issues such as limited capacity, lack of product differentiation etc., India has entered into these markets in a big way. To gain from the future opportunities the Company is planning to expand its operations and production facilities through various ways. The Company has acquired 99.99 % stake in Loba Feinchemie, Austria which has APIs, Laboratory Chemicals & Customs Synthesis manufacturing facilities and the strong marketing net-work in European countries.

### OUTLOOK ON THREATS, RISK AND CONCERNS

We are investing substantially in construction of new facilities and physical infrastructure and our profitability could be reduced if our business does not grow proportionately.

The Pharmaceutical industry operates in a highly regulated and volatile environment. Therefore Company must comply with a broad range of regulatory controls in each of the market which it operates in and these are subject to changes. Also, the generic business inherently has certain risks such as product liability, patent



litigations, price controls & compliance related issues. The Company is facing stiff competition with the entry of number of players in the emerging markets leading to stringent health care regulations.

Revenues of your Company is highly dependent upon exports and any adverse fluctuation in exchange rate could significantly impact the profits.

Changes in the policies of the Governments or political instability could delay further liberalization of the economy and could adversely affect economic conditions in India, which may impact our business and prospects.

### INTERNAL CONTROL AND ADEQUACY

The Company has implemented various controls to have proper control over the operational systems. To ensure proper working of the system the Company conducts periodical checks and audits apart from the internal audit. On the basis of periodical reviews the Company takes necessary action to strengthen the system. In addition to this the Company has a system of audit of manufacturing process as it is mandatory for any pharmaceutical company dealing in the regulated markets. The Company's Audit Committee reviews all the internal audit reports/ systems checks and recommends to the management for necessary action. Periodically, the Committee also reviews overall internal control procedure for operations and finance.

### FINANCIAL PERFORMANCE

During the year under review, your Company has achieved a turnover (net of excise duty) of Rs.13595.51 Lakhs (Rs.9387.28 Lakhs) an increase of 44.83% and recorded profit of Rs.2644.94 lacs (Rs.1762.24) before providing for exchange fluctuation i.e. an increase of 50.09% over previous year and recorded profit after tax of Rs.741.70 lacs (1137.02) after providing exchange fluctuation of Rs.1042.86 lacs i.e. a drop of 34.77% compared to previous year. Your Company is a recognized "Star Export House" and during the year has made an export of Rs.10216.42 Lakhs, an increase of 43.40% over the last year's exports of Rs.7124.34 Lakhs which attributes to Company's strict adherence to Quality Control, keeping up the delivery schedules and offering globally competitive rates. In spite of slowdown and recession world over and high volatility in U.S. Dollar against the Indian Rupee, Company has sustained the growth.

### HUMAN RESOURCES

The Company continues to maintain a constructive relationship with its employees through a positive environment so as to improve productivity and efficiency.

The Company also continues to invest in people process and skill development and provide them high performance environment.

The internal promotion system serves as a platform for providing growth opportunities to employees within the business. There is a continuous effort toward developing talent from within.

The Company's HR policies and processes are aligned to effectively drive its expanding business and foray into emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating compelling work environment, empowering employees at all levels and maintaining well-structured reward and reorganization mechanisms.

### CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results may vary materially from those expressed or implied due to various factors including those beyond the control of the management.

## Corporate Governance Report for the Year 2008-09

(As required under Clause 49 of the listing agreement)

The Company's shares were listed on Bombay Stock Exchange Limited on 19.06.1995. The Corporate Governance report has been prepared in accordance with Clause 49 of Listing Agreement with Stock Exchange.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at achieving transparency in the management systems of the Company for efficient conduct of 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.

The Company adheres to good corporate practices and is constantly striving to better them and adopt emerging best practices. It is believed that adherence to business ethics and commitment would help the Company achieve its goal of maximising value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly global Pharma/Oncology company, while upholding the core values of excellence, integrity, responsibility and unity.

Your company is in full compliance with the guidelines of Corporate Governance required under Clause 49 of Listing Agreement with the stock exchange.

### 2. BOARD OF DIRECTORS

#### (A) Composition

- i. The Company has 8 Directors with a Non-Executive Chairman. Of the 8 Directors, 7 are Non-Executive Directors out of which 4 are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchange.
- ii. None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2009 have been made by the Directors.
- iii. The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/ Memberships held by them in other companies are given herein below.

Name of the Director	Category	No of Board Meetings during the year 2008-09		Attendance at Last AGM 19.09.2008	No of Directorship held in other Companies @	No of Memberships held in Committees
		Held	Attended			
Omprakash Inani	Chairman, Non-executive	4	4	P	NIL	2
Vishnukant Bhutada	Managing Director	4	4	P	NIL	1
Atim Kabra	Director Non-executive	4	1	A	1	2
Carlton Felix Pereira	Director Non-executive	4	1	A	4	NIL
Pramod Kasat	Director Independent	4	3	A	NIL	1
Venugopal Loya	Director Independent	4	4	P	NIL	2
Rajendra Sunki Reddy	Director Independent	4	3	P	NIL	NIL
N.P.S.Shinh	Director Independent	4	1	A	8	2

@ Note: Excluding Directorships in Foreign and Private Limited Companies.



## (B) Board Meetings

- i. Four Board Meetings were held during the financial year and the gap between board meetings did not exceed four months.

30-06-2008	29-07-2008
20-10-2008	19-01-2009

- ii. None of the Non-Executive Directors have any material pecuniary relationships or transactions with the Company.
- iii. During the year, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

## 3. AUDIT COMMITTEE

The Company constituted a qualified and independent audit committee comprising of 3 non-executive directors in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange and Section 292A, of the Companies Act, 1956. The Committee is empowered with the powers as prescribed under the said Clause 49 and Section 292A. The Committee also acts in terms of reference and directions of the Board from time to time. The Committee regularly oversees the work carried out in the financial reporting process by the management, the internal auditor's processes and internal controls.

The present Composition of the Audit Committee and the attendance of each Member of the Committee at the meetings were as follows:

S.No.	Name of the Director	Category	No. of meetings held during the year	No of meetings attended
1.	Venugopal Loya	Chairman	4	4
2.	Omprakash Inani	Member	4	4
3.	Pramod Kasat	Member	4	4
4.	Rajendra Sunki Reddy#	Member	-	NA

# Appointed as Member w.e.f. 22nd July, 2009

The Managing Director, head of finance of the Company and Statutory Auditors are also invited to the meetings. The Company Secretary acts as the secretary of the Committee.

The Audit Committee Meetings were held during the year under review on the following dates 28.06.2008, 28.07.2008, 18.10.2008 & 17.01.2009. The gap between audit committee meetings was not more than four months.

The necessary quorum was present at all meetings.

## 4. REMUNERATION COMMITTEE

The Compensation Committee presently comprises three Non-Executive Directors. The Chairman of the Committee is a Non-Executive Independent Director. The names of the members of the Compensation Committee are as follows :

S.No.	Name of the Director	Category
1.	Pramod Kasat	Chairman
2.	Venugopal Loya	Member
3.	Omprakash Inani	Member

Except Managing Director all other Directors are Non-Executive. Mr. Vishnukant Bhutada, Managing Director is paid the following remuneration.

Salary	36,00,000
Allowances, Perquisites & Others	15,60,000
Commission	8,40,000
Company's Contribution to PF	4,32,000
<b>TOTAL</b>	<b>64,32,000</b>

Apart from the above he is also eligible for the Leave Encashment, Gratuity and other benefits in terms of his appointment and rules of the Company.

Compensation paid to Non Executive Directors and their Shareholding is as follows:

Name of the Company	Sitting Fees Paid Rs.	No. of Shares held On 31-03-2009
Omprakash Inani	NIL	779776
Vishnukant Bhutada	NIL	2553034
Venugopal Loya	NIL	NIL
Pramod Kasat	NIL	NIL
Carlton Felix Pereira	NIL	NIL
Atim Kabra	NIL	NIL
Rajendra Sunki Reddy	NIL	5300
N.P.S. Shinh	NIL	NIL

## 5. INVESTOR GRIEVANCE COMMITTEE

The Investor Grievance Committee of the Board, oversee the redressal of shareholders and investor Grievances. The Committee presently comprises of three directors under the chairman ship of a Non-executive Director.

Name of the Director	Nature of Directorship	Membership
Omprakash Inani	Non-Executive	Chairman
Venugopal Loya	Non-Executive	Member
Vishnukant Bhutada	Managing Director	Member

The Committee reviews periodically the systems of share transfers/transmissions of shares, issue of duplicate share certificates process of dematerialization and the investors' grievances and the system thereto.

In accordance with Clause 49 of the Listing Agreement with Stock Exchange, the Board has authorized the Company Secretary and the Compliance Officer to approve share transfers/ transmissions and comply with other formalities in relation thereto.

Investor complaints received during the year under review, were resolved at Compliance Officer/RTA level itself.

Mr. Ramakant Inani is the Compliance Officer.

There are no pending transfers / complaints as on 31st March, 2009.

## 6. GENERAL BODY MEETINGS

- i) Details of the last three Annual General Meetings are given below:

Financial year ended	Date	Venue	Time	Special Resolution passed
March 31 <sup>st</sup> , 2006	15 <sup>th</sup> September 2006	10/80, 1 <sup>st</sup> Floor, Rajendra Gunj, Raichur – 584 102	11.00 am	Appointment of a relative of Director to a place of profit
March 31 <sup>st</sup> , 2007	5 <sup>th</sup> September 2007	10/80, 1 <sup>st</sup> Floor, Rajendra Gunj, Raichur – 584 102	11.00 am	1) Sub division of Authorised Share Capital 2) Re-appointment of Mr. Vishnukant Bhutada as Managing director
March 31 <sup>st</sup> , 2008	19 <sup>th</sup> September 2008	10/80, 1 <sup>st</sup> Floor, Rajendra Gunj, Raichur – 584 102	12.15 am	No Special Resolution

- ii) During the last three years the following Extra-Ordinary General Meetings were held at 10/80, 1st Floor, Rajendra Gunj, Raichur.

Year	Date	Time	Special Resolution Passed
2006-07	22.01.2007	10:45 AM	i) Issue of FCCBS/GDRS/ADRS/ other convertible securities ii) Issue of Share Warrants to the promoters on preference
2007-08	26.11.2007	02.00 PM	i) Court convened shareholders meeting to approve the amalgamation of Shilpa Organics Private Limited with the Company
2008-09	No Extra-ordinary General Meeting of the Members was held during the year		

- iii) Postal Ballot

No Postal Ballot was conducted during the year.

## 7. DISCLOSURE

- There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- There was no non-compliance during the last three years by the Company on any matter related to Capital Markets. During the year neither any penalty imposed nor any strictures passed on the Company by any Stock Exchange, SEBI, or any other Statutory Authority.
- The Company has posted the Code of Conduct for Directors and Senior Management on its website.
- The Company has implemented a system to access the Audit Committee by any personnel of the Company.
- The Company has complied with the mandatory requirements of Clause 49 and is in process of implementation of Non-mandatory requirements.

## 8. MEANS OF COMMUNICATION

1. Quarterly, Half-yearly and Yearly Financial Statements/ Reports are published in the News papers.
2. Financial Results and other information are displayed on the Company's website.

### GENERAL SHARE HOLDER INFORMATION

#### i. Annual General Meeting

Date and Time	30th September 2009 at 11.00A.M.
Venue	Hotel Nrupalunga, Ambedkar Circle, Station Road, Raichur-584 101
Last Date of Proxy forms submission	11.00 AM on 28.09.2009

- ii. **Book Closure Date** : 26.09.2009 to 30.09.2009
- iii. **Dividend Payment Date** : With in 15 days from the date AGM's approval
- iv. **Listing on Stock Exchange** : The Bombay Stock Exchange Ltd  
Phiroze Jeejeebhoy Towers,  
Dalal Street, MUMBAI - 400001.
- v. **Stock Code** : 530549  
**Script Code** : SHILPA MEDCA  
**Demat ISIN No. for NSDL& CDSL** : INE790G01023

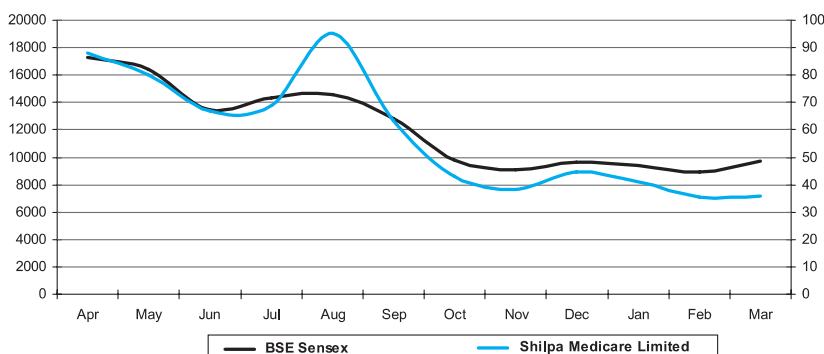
#### vi. STOCK MARKET DATA

The Monthly high and low quotations and volume of shares traded on BSE during the year were as follows:-

Month	High (Rs.)	Low (Rs.)	Volume
April,2008	105.45	73.40	157040
May,2008	96.95	74.05	64541
June,2008	84.85	65.00	51411
July,2008	76.75	61.10	59671
August,2008	97.45	65.00	378301
September,2008	93.00	61.05	65774
October,2008	73.00	32.30	91441
November,2008	54.80	32.10	86816
December,2008	52.00	36.00	26935
January,2009	60.00	39.00	23848
February,2009	43.40	34.00	18907
March,2009	38.50	29.30	58546

## vii. Performance of Shilpa Medicare Limited in Comparison with BSE Sensex

Shilpa Medicare Limited Versus BSE Sensex



## viii. Share Transfer System

96.85% of the shares of the Company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with M/s. Karvy Computershare Pvt. Ltd at the below mentioned address.

Transfer of shares in physical form is normally processed within 15 days from the date of receipt of the documents if they are complete in all respects. The Company Secretary and Compliance Officer are severally empowered to approve transfers.

All services relating to share transfers / transmissions and information may be addressed to:

### Registrar and 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

The Company periodically audits the operations of share transfer agent.

## ix. Shareholding Pattern As On 31st March 2009

Category	No. of shares held	% of Capital
Indian Promoters	13204441	59.95
Clearing Members	7844	0.04
HUF	147851	0.67
Banks, Financial Institutions, Insurance Companies (Central/State Govt Institutions/ Non-Govt. Institution)	3000	0.01
Indian Public	4510575	20.48
Private Corporate Bodies	1290086	5.86
NRI's/ OCB's/ FCB's, others	2860368	12.99
<b>TOTAL</b>	<b>22024165</b>	<b>100.00</b>



## x. Dematerialization of Shares and Liquidity

The Company's shares are compulsorily traded in Dematerialised form . The Company has entered into necessary arrangements on both depositories in India viz. NSDL and CDSL for Demat Facility. Out of the total equity shares of the Company 96.85% is held in dematerialization form with NSDL and CDSL as on 31st March 2009.

## xi. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:

Nil

## xii. Distribution of Shareholding As On 31st March 2009

CATEGORY		SHARE HOLDERS	%	SHARES	%
FROM	TO	Nos		Nos	
1	5000	2262	87.50	1240611	5.63
5001	10000	151	5.84	592586	2.69
10001	20000	60	2.32	445334	2.02
20001	30000	20	0.77	255902	1.16
30001	40000	5	0.19	87877	0.40
40001	50000	6	0.23	138952	0.64
50001	100000	21	0.81	819477	3.72
100001	ABOVE	60	2.32	18443426	83.74
	<b>TOTAL</b>	<b>2585</b>	<b>100.00</b>	<b>22024165</b>	<b>100.00</b>

## xiii. Plant Location - No.1

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

## Plant Location - No.2

100% EOU, 33-33A,  
Raichur Industrial Growth Center,  
Wadloor Road, Chicksugur Cross  
Chicksugur - 584 134  
(Dist.Raichur)

**LOBA Feinchemie GmbH,**  
Fahragasse 7,  
A-2401 Fischamend,  
Austria.

**RAICHEM LIFESCIENCES PVT. LTD.**  
8, Shreeji House, 1st Floor, 75,  
Mint Road, Fort,  
Mumbai-400 041

**ZATORTIA HOLDING LTD.**  
17, Gr. Xnopoulo Street,  
Totalserve House - 3106  
Limasol - Cyprus  
P.O.Box - 54425, 3724.

**Wind Mills****Machine - No.1**

Madkaripura,  
Dist. Chitradurga

**Machine - No.2**

Jogimatti,  
Dist. Chitradurga

**Machine - No.3**

Vanivilas Sagar,  
Dist. Chitradurga

**Machine - No.4**

Chikkanayakanhalli,  
Dist. Tumkur

## xiv. Address for Correspondence

Shilpa Medicare Limited  
1st Floor, 10/80,  
Rajendra Gunj,  
Raichur 584 102



## MANAGING DIRECTOR'S CERTIFICATION

I have reviewed the financial statements, read with the cash flow statement of Shilpa Medicare Limited for the year ended March 31st, 2009 and that to the best of my knowledge and belief, I state that;

- a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- (ii) These statements present true and fair view of the company's affairs and are in compliance with current Accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transaction entered into by the company during the year which are fraudulent, illegal or in violation of the company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluating the effectiveness of internal control systems of the Company and have disclosed to the auditors and audit committee deficiencies in the design or operation of internal control, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- d) I have indicated to the auditors and audit committee:
  - (i) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - (ii) There are no instances of fraud involving the management or an employee.

DATED: 31<sup>st</sup> August, 2009

Sd/-  
**Vishnukant Bhutada**  
Managing Director

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Shilpa Medicare Ltd.,

We have examined the compliance of Corporate Governance by Shilpa Medicare Ltd., for the financial year ended on 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with the concerned Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BOHARA BHANDARI BUNG AND ASSOCIATES  
CHARTERED ACCOUNTANTS

P. M. BHANDARI  
PARTNER  
M.NO.036241

PLACE: Hyderabad  
DATED: 31<sup>st</sup> August, 2009

**AUDITOR'S REPORT**

To,  
The Members of  
**Shilpa Medicare Limited,**

We have audited the attached Balance Sheet of Shilpa Medicare Limited ("the Company") as at 31st March, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order to the extent applicable.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
3. The Balance Sheet, Profit and Loss Account and Cash flow statement, dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
5. On the basis of written representations received from the Directors, as on 31st March, 2009, and taken on record by the Board of Directors, we Report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of Affairs of the Company as at 31st March, 2009;
  - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

**For BOHARA BHANDARI BUNG AND ASSOCIATES**  
CHARTERED ACCOUNTANTS

PLACE: Hyderabad  
DATED: 31<sup>st</sup> August, 2009.

**P. M. BHANDARI**  
PARTNER  
M.NO.036241



### ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

**On the basis of such checks as we considered appropriate and in terms of information and explanation given to us, we further state that:**

1. In respect of Fixed Assets:
  - a) The Company has maintained proper records, showing full particulars including Quantitative details and situation of Fixed Assets.
  - b) As explained to us, Fixed Assets have been physically verified wherever feasible by the Management and no material discrepancy with respect to book records was noticed on such verification.
  - c) During the year the company has not disposed off a substantial part of the Fixed Assets.
2. In respect of Inventories:
  - a) The Inventory in its possession has been physically verified by the management. In our opinion the frequency of the verification is reasonable. The Stocks lying with third parties have been verified with reference to Statements of Accounts or Subsequent return of goods.
  - b) The procedure as explained to us and followed by the Management for physical verification of Inventories is reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) According to the information and explanations given to us, no material discrepancies were noticed on physical verification as compared to book records.
3. In respect of the loans, secured or unsecured, granted or taken by the company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - a) The Company has taken unsecured loan of Rs.75.00 Lakhs from one company covered in the register maintained under section 301 of the Act and has advanced interest free Unsecured Loan of Rs.110.88 Lakhs to its subsidiary Companies, of which Rs.1688.01 are outstanding as on 31.03.2009, from the companies covered in the register maintained under section 301 of the Act.
  - b) The rates of interest and the terms and conditions of the above said transactions where ever applicable, are prima-facie not prejudicial to the interest of the company.
  - c) The payment of Principal amount and interest thereon, wherever applicable are regular.
  - d) There were no overdue amounts of the aforesaid transactions.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems,
5. In respect of contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a) According to information and explanations given to us, the transactions made in pursuance of contracts or arrangements that needs to be entered in the Register maintained under sections 301 of the Companies Act, 1956, have been so entered.
  - b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under sec.301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to information and explanations given to us, the company has not accepted any deposits from the Public.
7. In our opinion, the company has an internal Audit System commensurate with the size and nature of its business.

8. On the basis of records produced, we are of the opinion that prima-facie cost records and accounts prescribed by the central government under section 209(1) d of the Companies Act, 1956 in respect of the products of the company under the rules under said section are generally maintained / are under preparation. However, we have not made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. In respect of statutory dues:
  - a) According to the records of the company, undisputed statutory dues including Provident Fund, Investors Education Fund, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs duty, Excise duty, Cess and any other statutory dues have been regularly deposited with the appropriate authorities. According, to the information and explanations given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31st March, 2009 for a period of more than Six months from the date they became payable.
10. The company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. According to the information and explanation given to us and based on the information available, no loans and advances have been granted by the Company on the basis of Security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit fund or a nidhi fund/mutual benefit fund/society. Therefore, provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
14. The Company did not either deal or trade in shares, securities, debentures and other Investment and hence clause 4(xiv) is not applicable.
15. According to the information provided to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to information and explanation given to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment and vice versa.
18. During the year, the company has not made preferential allotment of equity shares to parties and companies covered in the Register maintained under Section.301 of the Companies Act, 1956.
19. The Company has not raised funds by way of issue of Debentures; Hence, Clause 4(xix) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
20. The Company has not raised any funds through Public Issue during the year and hence Clause 4(xx) of Companies (Auditor's Report) Order, 2003 is not applicable to the company.
21. Based upon the Audit procedures performed and information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the course of our Audit.

For BOHARA BHANDARI BUNG AND ASSOCIATES  
CHARTERED ACCOUNTANTS

PLACE: Hyderabad  
DATED:31<sup>st</sup> August, 2009.

P. M. BHANDARI  
PARTNER  
M.NO.036241



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2009

Amount in Rs.

Particulars	Sch No.	CURRENT YEAR	PREVIOUS YEAR
<b>I. SOURCE OF FUNDS:</b>			
1. Share Holder's Fund			
a) Share Capital	1	44,048,330	34,715,000
b) Share Capital Suspense	1A	-	7,833,330
c) Share Warrant		-	6,000,000
2. Reserves & Surplus	2	634,436,456	511,170,688
3. Loan Funds			
a) Secured Loan	3	970,741,126	735,864,633
b) Unsecured Loan		-	23,424,839
4. Deferred Tax Liability		108,093,660	74,875,218
<b>TOTAL</b>		<b>1,757,319,572</b>	<b>1,393,883,708</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets			
Gross Block	4	1,422,600,256	794,881,567
Less: Depreciation	4	183,973,089	123,965,888
		1,238,627,167	670,915,679
Add: Capital Work in Progress	4	33,802,788	158,146,925
		1,272,429,955	829,062,604
2. Investments	5	222,380	122,380
3. Current Assets, Loans & Advances:			
a) Inventories	6	229,491,321	195,144,858
b) Sundry Debtors	7	188,304,578	131,199,613
c) Cash & Bank Balance	8	30,986,327	134,811,368
d) Loans & Advances	9	285,770,313	253,069,325
		734,552,539	714,225,164
Less: Current Liabilities & Provisions	10	249,885,302	149,526,440
		484,667,237	564,698,724
<b>TOTAL</b>		<b>1,757,319,572</b>	<b>1,393,883,708</b>

Schedule 1 to 10 and Notes to Accounts form an integral part of Balance Sheet.

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
**P.M. Bhandari**  
Partner  
M.No: 036241

Sd/-  
**Omprakash Inani**  
Chairman

Sd/-  
**Vishnukant Bhutada**  
Managing Director

Sd/-  
**Atim Kabra**  
Director

Sd/-  
**Carlton Felix Periera**  
Director

Sd/-  
**Pramod Kasat**  
Independent Director

Sd/-  
**Venugopal Loya**  
Independent Director

Place: Hyderabad  
Dated: 31<sup>st</sup> August, 2009

Sd/-  
**Rajendra Sunki Reddy**  
Independent Director

Sd/-  
**N.P.S. Shinh**  
Independent Director

Sd/-  
**Nagalakshmi Popuri**  
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

PARTICULARS	Sch No.	Amount in Rs.	
		CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Sales		1,380,846,921	958,127,657
Less: Excise Duty		21,296,178	19,399,413
		1,359,550,743	938,728,244
Variation in Finished Goods	11	1,971,201	(4,378,089)
Other Income	12	7,472,800	17,041,000
<b>T O T A L</b>		<b>1,368,994,744</b>	<b>951,391,155</b>
<b>EXPENDITURE</b>			
Materials	13	837,407,797	633,237,812
Employees Expenditure	14	64,751,923	42,755,725
Operating & Administrative Expenditure	16	91,951,964	71,884,158
Exchange (Gain)/Loss		104,285,680	(8,160,430)
Interest		49,952,050	8,501,074
Depreciation	4	60,436,841	35,108,770
<b>T O T A L</b>		<b>1,208,786,255</b>	<b>783,327,109</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>			
		<b>160,208,489</b>	<b>168,064,046</b>
Less: Tax Expense			
a) Current Tax		52,500,000	32,050,000
b) Fringe Benefit Tax		319,565	209,938
c) Deferred Tax		33,218,442	22,101,951
		86,038,007	54,361,889
<b>PROFITS / (LOSS) AFTER TAXES</b>			
Less: Prior Period Adjustments	15	74,170,482	113,702,157
		(1,479,426)	3,913,321
		<b>75,649,908</b>	<b>109,788,836</b>
Add: Profits from Earlier Years		268,869,227	179,036,275
<b>Profits available for appropriation</b>		<b>344,519,135</b>	<b>288,825,111</b>
Appropriations			
A) Transferred to General Reserve		10,000,000	10,000,000
B) Provision for Proposed Dividend		11,012,085	8,509,666
C) Dividend Tax (Incl.Surcharge and Cess)		1,872,055	1,446,218
		<b>22,884,140</b>	<b>19,955,884</b>
Balance carried to Balance Sheet		<b>321,634,995</b>	<b>268,869,227</b>
<b>Earnings per Share</b>			
Basic & Diluted (Rs.2 & Rs.2/ share)		3.40	5.34
<b>Weighted Average No. of Equity Shares</b>			
Basic & Diluted		21,839,233	21,274,165

Schedules 11 to 16 and Notes to Accounts form an integral part of Profit and Loss Account.

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**  
Chartered Accountants

Sd/-  
**P.M. Bhandari**  
Partner  
M.No: 036241

Sd/-  
**Omprakash Inani**  
Chairman  
Sd/-  
**Carlton Felix Periera**  
Director  
Sd/-

Place: Hyderabad  
Dated: 31<sup>st</sup> August, 2009

**Rajendra Sunki Reddy**  
Independent Director

For and on behalf of the Board of Directors

Sd/-  
**Vishnukant Bhutada**  
Managing Director  
Sd/-

**Pramod Kasat**  
Independent Director  
Sd/-

**N.P.S. Shinh**  
Independent Director

Sd/-  
**Atim Kabra**  
Director  
Sd/-  
**Venugopal Loya**  
Independent Director  
Sd/-

**Nagalakshmi Popuri**  
Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

Amount in Lakhs

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax (PBT)	1,602.08	1,680.64
<b>Add : Adjustments</b>		
Add : Depreciation	604.37	351.09
Add : (Profit) / Loss on sale of Fixed Assets	8.09	-
Add : Interest (Net)	492.57	46.78
Add : Doubtful recoveries provided/Written off	10.11	2.60
Add : Unrealized exchange Loss	1,157.76	-
Less : Unrealized exchange Gain	(164.78)	-
	3,710.20	2,081.11
<u>Operating profit before working capital changes</u>		
Increase/(Decrease)in Current Liabilities	695.89	239.94
Decrease/(Increase) in Receivables	(540.57)	(2,929.11)
Decrease/(Increase) in Inventory	(343.46)	(110.39)
Decrease/(Increase) in Other Loans and Advances	(59.99)	-
	3,462.06	(718.45)
<b>Less:</b>		
Income Tax paid	(451.72)	(280.56)
<b>Net Cash flow from Operating activities</b>	<b>3,010.34</b>	<b>(999.01)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and change in Capital Work in progress	(5,049.62)	(5,082.39)
Sale of Fixed Assets	3.49	-
Interest received	6.95	38.23
Purchase of shares in subsidiary companies.	(1.00)	(1.06)
<b>Net cash from Investing Activities</b>	<b>(5,040.18)</b>	<b>(5,045.22)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	15.00	-
Increase in Share Premium (Net)	525.00	-
Interest Expenses	(499.52)	(85.01)
Secured Loans	1,264.16	6,559.71
Unsecured Loans	(234.25)	200.30
Subsidy received during the year	20.00	-
Dividend & Dividend distribution tax	(98.80)	(79.17)
<b>Net Cash flow from Financing Activities</b>	<b>991.59</b>	<b>6,595.83</b>
Net Increase/(decrease)in Cash and Cash Equivalents	<b>(1,038.25)</b>	<b>551.60</b>
Cash & Cash Equivalents at the Beginning of the year	1,348.11	796.51
Cash & Cash Equivalents at the End of the year	<b>309.86</b>	<b>1,348.11</b>

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
**P.M. Bhandari**  
Partner  
M.No: 036241

Sd/-  
**Omprakash Inani**  
Chairman

Sd/-  
**Vishnukant Bhutada**  
Managing Director

Sd/-  
**Atim Kabra**  
Director

Sd/-  
**Carlton Felix Periera**  
Director

Sd/-  
**Pramod Kasat**  
Independent Director

Sd/-  
**Venugopal Loya**  
Independent Director

Place: Hyderabad  
Dated: 31<sup>st</sup> August, 2009

Sd/-  
**Rajendra Sunki Reddy**  
Independent Director

Sd/-  
**N.P.S. Shinh**  
Independent Director

Sd/-  
**Nagalakshmi Popuri**  
Company Secretary



**SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009**

PARTICULARS	Amount in Rs.	
	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE NO: 01</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital:</b>		
400,00,000 (400,00,000) Equity Shares of Rs.2/-(2/-) each.	80,000,000	80,000,000
<b>Issued, Subscribed and Paid Up Capital:</b>		
1) 22,024,165 (1,73,57,500) Equity Shares of Rs.2/-(2/-) each (Of the above equity shares 6,662,500 (6,662,500) Equity Shares of Rs 2/-(Rs 2/-) each were issued as fully paid Bonus Shares by way of Capitalisation of Reserves.)	44,048,330	34,715,000
2) During the year 39,16,665 (NIL) shares of Rs.2/- allotted to the erstwhile shareholders of Shilpa Organics (P) Ltd on approval of Amalgamation Scheme by the Hon.High Court of Karnataka by transferring such amount from Share Capital Suspense A/c	-	
During the year 750,000 (NIL) shares of Rs.2/- each allotted to Share Warrant holders on exercising their option for conversion at a premium of Rs.78/- per share.	-	
<b>TOTAL</b>	<b>44,048,330</b>	<b>34,715,000</b>
<b>SCHEDULE NO: 01A</b>		
<b>SHARE CAPITAL SUSPENSE</b>		
3,916,665 (783,333) Equity Shares of Rs.2/-(10/-) each fully paidup to be allotted to the shareholders of erstwhile Shilpa Organics Pvt Ltd. pursuant to the Scheme of Amalgamation	-	7,833,330
<b>TOTAL</b>	<b>-</b>	<b>7,833,330</b>



## SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

PARTICULARS	Amount in Rs.			
	CURRENT YEAR		PREVIOUS YEAR	
<b>SCHEDULE NO: 02</b>				
<b>RESERVES &amp; SURPLUS</b>				
a) Subsidy:				
Opening Balance	3,172,199		3,172,199	
Additions during the year	2,000,000	5,172,199	-	3,172,199
b) Share Premium Account;				
Opening Balance	216,125,000		216,125,000	
Additions during the year	58,500,000	274,625,000	-	216,125,000
c) General Reserve:				
Opening Balance	19,768,369		13,048,670	
Less: Deletions during the year (Refer Note No: 16)	-		(3,280,301)	
Add: Additions during the year	10,000,000	29,768,369	10,000,000	19,768,369
d) Capital Reserve				
Shares Forfeited		3,235,893		3,235,893
e) Surplus from Profit & Loss Account		321,634,995		268,869,227
<b>TOTAL</b>		<b>634,436,456</b>		<b>511,170,688</b>
<b>SCHEDULE No: 03</b>				
<b>SECURED &amp; UNSECURED LOANS</b>				
<b>A) Secured Loans</b>				
a) External Commercial Borrowings (Term Loan)	509,460,000		401,000,000	
b) Term Loan	336,579,554		177,536,525	
c) Working Capital Loan (Cash Credit/ Packing Credit/Deposit Loan etc)	124,701,572	970,741,126	157,328,108	735,864,633
Note: For Nature of Securities Refer Note No. 03,04 & 05 of Notes to Accounts				
<b>B) Unsecured Loans</b>				
a) Inter Corporate Loans			-	23,424,839
<b>TOTAL</b>		<b>970,741,126</b>		<b>759,289,472</b>

**SCHEDULE NO. 04  
FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		Amount in Rs.	
	As On 01/04/2008	Additions during theyear	Deletions during the year	As on 31/3/2009	As on 01/04/2008	For the Period	Adjustment	As on 31/3/2009	As on 31/3/2009	As on 31/3/2008	
Borewell	164,341	-	-	164,341	28,310	8,218	-	36,528	127,813	136,031	
Building	185,322,444	1,29,878,193	-	315,200,637	8,469,659	7,172,843	-	15,642,502	299,558,135	221,310,058	
Canteen Equipment	-	47,489	-	47,489	-	3,000	-	3,000	44,489	-	
Computer	4,004,476	2,977,794	-	6,982,270	1,749,198	890,103	-	2,639,301	4,342,969	2,255,278	
Electrical Installation	12,245,169	79,429,883	-	91,675,052	3,293,202	1,173,239	-	4,466,441	87,208,611	8,951,967	
Empty Cylinders	399,934	-	-	399,934	135,529	29,675	-	165,204	234,730	264,405	
ETP Building	44,457,273	-	-	44,457,273	-	1,480,805	-	1,480,805	42,976,468	-	
ETP Machinery	-	16,204,182	-	16,204,182	-	43,900	-	43,900	16,160,282	-	
Furniture	3,250,857	3,338,537	-	6,589,394	1,132,951	278,778	-	1,411,729	5,177,665	2,117,906	
Generator	1,009,207	2,720,472	-	3,729,679	446,301	203,748	-	650,049	3,079,630	562,906	
Lab Equipments	4,750,515	66,496,770	-	71,247,285	2,110,849	1,368,369	-	3,479,218	67,768,067	2,639,666	
Leasehold Land/Plot	10,187,957	14,170,476	-	24,358,433	-	-	-	-	24,358,433	9,872,914	
Office Equipment	-	28,700	-	28,700	-	1,649	-	1,649	27,051	-	
P/M (Power Generation Unit)	197,087,510	-	-	197,087,510	55,568,020	20,378,849	-	75,946,869	121,140,641	141,519,490	
Pipeline	19,262,955	70,904,108	-	90,167,063	3,429,462	1,947,244	-	5,376,706	84,790,357	15,833,491	
Plant & Machinery	271,769,438	239,263,068	-	511,032,506	39,167,203	22,559,742	-	61,726,945	449,305,561	232,602,235	
Pollution Control Equip.	2,497,793	1,152,975	-	3,650,768	1,727,305	192,730	-	1,920,035	1,730,733	770,488	
R & D Equipments	23,417,107	722,387	1,151,677	22,987,817	2,791,901	1,124,630	205,929	3,710,602	19,277,215	20,625,206	
Storage Tank	1,528,082	601,089	-	2,129,171	670,494	294,013	-	964,507	1,164,664	857,588	
Technical Know-how	2,188,000	-	-	2,188,000	1,265,828	218,800	-	1,484,628	703,372	922,172	
Transformer	355,497	2,843	-	358,340	64,610	26,438	-	91,048	267,292	290,887	
Unit-III Land & Building	585,872	-	-	585,872	141,909	19,568	-	161,477	424,395	759,006	
Vehicle	10,168,140	1,020,580	436,088	10,752,632	1,721,286	1,004,241	223,711	2,501,816	8,250,816	8,446,856	
Weigh Bridge	-	346,908	-	346,908	-	69	-	69	346,839	-	
Xerox Machine	229,000	-	-	229,000	51,871	16,190	-	68,061	160,939	177,129	
<b>Total (Rs.)</b>	<b>794,881,567</b>	<b>629,306,454</b>	<b>1,587,765</b>	<b>1,422,600,256</b>	<b>123,965,888</b>	<b>60,436,841</b>	<b>429,640</b>	<b>183,973,089</b>	<b>1,238,627,167</b>	<b>670,915,679</b>	
<b>Capital Work-in-Progress</b>	<b>-</b>	<b>33,802,788</b>	<b>-</b>	<b>33,802,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,802,788</b>	<b>158,146,925</b>	
<b>Total (Rs.)</b>	<b>794,881,567</b>	<b>663,109,242</b>	<b>1,587,765</b>	<b>1,456,403,044</b>	<b>123,965,888</b>	<b>60,436,841</b>	<b>429,640</b>	<b>183,973,089</b>	<b>1,272,429,955</b>	<b>829,062,604</b>	
Previous Year	408,506,100	386,375,467	-	794,881,567	88,857,118	35,108,770	-	123,965,888	670,915,679	319,648,982	



## SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

PATICULARS	Amount in Rs.	
	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE No: 05</b>		
<b>INVESTMENTS</b>		
Investment in Wholly Owned Subsidiary (unquoted)		
a) 1000 (1000) Equity Shares of 1.74 Euro each fully paid in Zatortia Holdings Ltd	107,380	107,380
b) 10000 Equity Shares of Rs.10/- each fully paid in Raichem Lifesciences (P) Ltd	100,000	-
In Government Securities (NSC-Assigned as Securities to Government Department)	15,000	15,000
<b>TOTAL</b>	<b>222,380</b>	<b>122,380</b>
<b>SCHEDULE No. 06</b>		
<b>INVENTORIES</b>		
a) Finished Goods	2,554,113	582,912
b) Raw Materials	88,705,517	74,076,759
c) Work-in-progress	135,806,875	116,550,956
d) Stores & Spares	2,128,137	3,703,024
e) Packing Material	296,679	231,207
<b>TOTAL</b>	<b>229,491,321</b>	<b>195,144,858</b>
<b>SCHEDULE No. 07</b>		
<b>SUNDRY DEBTORS</b>		
a) Unsecured (unless otherwise stated). Outstanding for more than six months : considered good	7,560,482	3,839,716
Considered Doubtful/Bad	1,010,520	260,182
	<u>8,571,002</u>	<u>4,099,898</u>
Less: Bad Debts Written off	1,010,520	260,182
	7,560,482	3,839,716
b) Outstanding for less than six months : considered Good	180,744,096	127,359,897
<b>TOTAL</b>	<b>188,304,578</b>	<b>131,199,613</b>
<b>SCHEDULE No: 08</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash-in-Hand	217,832	195,472
b) Foreign Currency in hand	50,158	-
c) Balance with Scheduled Bank:		
1. In Current Accounts	7,461,215	49,411,301
2. In Fixed Deposits	23,257,122	85,204,595
(Assigned to Bank towards Margin Money for Bank Guarantee)		
<b>TOTAL</b>	<b>30,986,327</b>	<b>134,811,368</b>

**SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009**

Amount in Rs.

PATICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE No: 09</b>		
<b>LOANS &amp; ADVANCES</b>		
a) Loans/Advances receivable UNSECURED(Considered good unless otherwise stated)		
i) Loan to wholly owned subsidiary Companies	183,800,035	163,464,853
ii) Loan to Corporate Body	-	36,000,000
b) Advances Recoverable in cash or kind for value to be recovered	3,336,613	1,843,753
c) Sundry Deposits	105,500	155,200
d) Deposits with Government Offices/ Local Authorities	16,085,039	2,965,902
e) Advance Income Tax / TDS receivable	38,052,496	23,770,147
f) Interest accrued but not due on fixed deposit with Bank.	211,477	559,888
g) Refund of Excise Duty receivable	20,818,807	17,642,269
h) VAT paid on Capital & Other Items	9,628,445	957,836
i) CST Receivable	13,418,960	5,709,477
j) VAT Recievable	312,941	-
<b>TOTAL</b>	<b>285,770,313</b>	<b>253,069,325</b>
<b>SCHEDULE No: 10</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) Current Liabilities</b>		
a) Unclaimed Dividend	525,825	450,428
b) Unclaimed bonus/salary	64,910	-
c) Interest Payable but not due	1,150,296	-
d) Sundry Creditors:		
i) For Goods	113,361,759	58,726,207
ii) For Others	64,135,698	42,873,053
e) VAT, Entry Tax & Profession Tax	3,000	315,815
f) Tax Deducted at Source (TDS) payable	627,115	1,406,775
<b>B) Provisions</b>		
a) Provision for Income Tax	52,500,000	32,050,000
b) Proposed Dividend	11,012,085	8,509,666
c) Provision for Tax on Proposed Dividend	1,872,055	1,446,218
d) Provisions for Expenses	2,190,785	183,233
e) Provision for Gratuity	2,441,774	70,016,699
		3,565,045
		45,754,162
<b>TOTAL</b>	<b>249,885,302</b>	<b>149,526,440</b>
<b>SCHEDULE No. 11</b>		
<b>VARIATION IN FINISHED GOODS</b>		
Closing Stock of Finished Goods	2,554,113	582,912
Less: Opening Stock of Finished Goods	582,912	4,961,001
<b>TOTAL</b>	<b>1,971,201</b>	<b>(4,378,089)</b>
<b>SCHEDULE No: 12</b>		
<b>OTHER INCOME</b>		
a) Miscellaneous Income	7,472,800	17,041,000
<b>TOTAL</b>	<b>7,472,800</b>	<b>17,041,000</b>



## SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE No: 13</b>		
<b>MATERIALS</b>		
a) Raw Materials Consumed	786,419,164	608,832,777
Less: Change in Work in Progress	(19,255,919) 767,163,245	(25,986,900) 582,845,877
b) Cost of Materials Traded	68,928,331	49,325,470
c) Packing Material Consumed	1,316,221	1,066,465
<b>TOTAL</b>	<b>837,407,797</b>	<b>633,237,812</b>
<b>SCHEDULE No: 14</b>		
<b>EMPLOYEE EXPENDITURE</b>		
a) Salaries, Wages, Bonus and Allowances	59,534,417	40,164,378
b) Contribution to Provident Fund, Gratuity and Other Funds.	3,988,080	2,127,745
c) Welfare Expenses.	1,229,426	463,602
<b>TOTAL</b>	<b>64,751,923</b>	<b>42,755,725</b>
<b>SCHEDULE No: 15</b>		
<b>PRIOR PERIOD EXPENSES</b>		
Prior Period (Income)/Expenses	(1,479,426)	3,913,321
<b>TOTAL</b>	<b>(1,479,426)</b>	<b>3,913,321</b>
<b>SCHEDULE No: 16</b>		
<b>OPERATING &amp; ADMINISTRATIVE EXPENSES</b>		
a) Commission, Brokerage & Consultancy	12,542,189	13,255,347
b) Clearing & Forwarding	7,336,643	6,847,498
c) Laboratory Expenses & R&D Expenses	4,196,829	2,662,241
d) Power & Fuel	25,422,323	16,269,627
e) Repairs & Maintenance		
i) Plant & Machinery	5,782,086	6,923,028
ii) Building	1,719,795	1,523,245
iii) Others	892,989	669,160
f) Transportation Expenses	4,673,183	4,467,357
g) VAT, Entry Tax & Profession Tax	143,925	131,616
h) Travelling Expenses	5,991,484	4,188,537
i) Advertisements & Sales Promotion Expenses	6,090,486	2,552,032
j) Postage, Telephones & Couriers	1,431,038	1,090,938
k) Insurance	1,058,044	1,482,804
l) Legal Charges/License Fees/Rates & Taxes	1,463,834	2,183,273
m) Miscellaneous Expenses	6,792,137	2,618,642
n) Bank Charges	3,579,724	4,008,290
o) Auditor Fees	365,000	300,000
p) Listing Fees	116,062	25,765
q) Job work Expenses	117,754	137,185
r) Bad Debts written off	1,010,520	260,182
s) Loss on Transfer of Assets	809,125	-
t) Conveyance Reimbursement	416,794	287,391
<b>TOTAL</b>	<b>91,951,964</b>	<b>71,884,158</b>

**SIGNIFICANT ACCOUNTING POLICIES:****BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

- (a) The financial statements are prepared on historical cost convention and on the presumption of going concern in accordance with generally accepted accounting principles in India and the applicable mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956 of India as adopted consistently by the Company.
- (b) The Company generally follows mercantile system of accounting and recognizes all the income and expenditure on accrual basis.

**FIXED ASSETS:**

- a) Tangible Assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost comprises of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.
- b) Intangible Assets are stated at cost less accumulated amortization. Cost includes any expenditure directly attributable on making the asset ready for its intended use.

**DEPRECIATION:**

Depreciation on Fixed Assets is provided on straight line method as prescribed in Schedule XIV of the Companies Act, 1956 of India. Intangible assets are amortized over their useful life/ a period of ten years.

**IMPAIRMENT:**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value being higher of value in use and net selling price. Value in use is computed at net present value of cash flow expected over the balance useful life of the assets. An impairment loss is recognized as an expense in the Profit and Loss Account in the year in which an asset is identified as impaired.

**INVESTMENTS:**

- a. Long Term Investments are carried at cost after deducting provision, if any, for diminution in value considered being other than temporary in nature.
- b. Current investments are stated at lower of cost and fair value.

**INVENTORIES:**

- a) Raw-Materials, Stores and Packing Materials are valued at cost - Cost is determined on FIFO basis.
- b) Work-in-progress & Finished goods are valued at estimated cost or net realizable value whichever is lower.

**EMPLOYEE BENEFITS:**

Employee benefits of short term nature are recognized as expenses as and when it accrues. Long Term employee benefits/ post employment benefits (e.g. gratuity), both funded and non-funded, are recognized as expense based on actuarial valuation at year end which takes into account actuarial gains and losses.

**SALES AND PURCHASES:**

Sales and Purchases are accounted net of returns basis. Sales include Export Entitlements / Benefits. Export entitlements are accounted on accrual basis at realizable value or entitlement value whichever is less.

**FOREIGN CURRENCY TRANSACTIONS:**

Transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transaction. The exchange difference arising out of these transactions are dealt in profit and loss account.



## DERIVATIVE INSTRUMENTS:

The Company uses derivative financial instrument such as forward contract to hedge its risk associated with foreign currency fluctuation. In respect of transactions covered by Forward Exchange Contract, the difference between the forward rate and the exchange rate at inception of contract is recognized as income or expense over the life of the contract.

## TAXES ON INCOME:

Tax on Income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is provided in conformity with Accounting Standard-22 issued by the Institute of Chartered Accountants of India based on the timing difference between the accounting income and the taxable income.

Fringe Benefit Tax (FBT) is accounted for on the estimated value of fringe benefits for the period as per the related provisions of the Income-tax Act.

## NOTES TO ACCOUNTS:

1. Previous year's figures have been regrouped, rearranged and / or reworked wherever necessary.
2. Figures have been rounded off to the nearest rupee.
3. Working Capital Loans from The Lakshmi Vilas Bank Ltd., is secured by hypothecation of stock of materials and by certain charge on the Fixed Assets of the Company and counter guarantees by some of the Directors in their individual capacity.
4. External Commercial Borrowing (ECB) from ICICI Bank Ltd, Term Loan from State Bank of India from Axis Bank are secured by charges on all Tangible assets created by such loans and irrevocable guarantee of some of the Directors of the Company.
5. Term Loan from KSFC is secured by charge on assets of erstwhile Shilpa Organics (P) Ltd.
6. Deferred Taxes:

Particulars	Current year	Previous year
On account of Depreciation	108,093,660	7,4875,218

7. In the opinion of the Management, the value of the Current Assets, Loans and Advances under the ordinary course of business would at least be equal to the amount as stated in the Balance Sheet.
8. Sundry Debtors and Sundry Creditors are subject to confirmation.
9. From the invoices raised on the Company, it is not possible to identify whether the suppliers fall under the Micro, Small & Medium Enterprises Development Act, 2006 from outstanding Creditors.
10. According to the notification G.S.R.225 (E) dated March 31, 2009, the Accounting Standard, AS-11 for "The Effects of changes in Foreign Exchange Rates" has been amended to follow:
  - a. Exchange gain/loss to be amortized over the useful life of acquired assets.
  - b. And in other cases, accumulated in a "foreign Currency Monetary items translation difference account" and amortized over the balance period of such long term Asset/Liability.

However under conservative accounting principles, Shilpa Medicare Limited continues to book exchange gain/loss on Mark-to-Market basis.



11. Exchange fluctuation includes debit of Rs.108,460,000/- (PY:Rs.2,040,000) on account of Exchange difference arising in respect of outstanding ECB Loan and Credit Rs.41,74,320/- (PY: Rs10,200,430/-) in respect of profit arising from Forward Exchange Contracts for the year. There are no other outstanding Forward Exchange Contracts as on 31.03.2009.
12. Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits

1. In respect of gratuity, a defined benefit scheme (based on Actuarial Valuation)

<b>Movement of present value of the defined benefit obligation</b>	<b>Amount (Rs.)</b>
Obligations at period beginning	3,565,045
Service Cost	1,838,157
Interest on defined benefit obligation	249,553
Benefits settled	(73,604)
Actuarial (gain)/loss	(194,662)
<b>Obligations at period end</b>	<b>5,384,489</b>
<b>Change in plan assets</b>	<b>-</b>
Plans assets at period beginning, at fair value	2,025,138
Expected return on plan assets	170,840
Actuarial gain/(loss)	15,341
Contributions	904,482
Benefits settled	(73,604)
<b>Plans assets at period end, at fair value</b>	<b>3,042,197</b>
Reconciliation of present value of the obligation and the fair value of the plan assets:	-
Closing PBO	5,384,489
Closing Fair value of plan assets	3,042,197
Closing Funded status	(2,342,292)
Unrecognised actuarial (gains).losses	-
<b>Net asset/(Liability) recognized in the balance sheet</b>	<b>(2,342,292)</b>
<b>Expenses recognised in the P &amp; L account</b>	<b>-</b>
Service cost	1,838,157
Interest cost	249,553
Expected return on plan assets	(170,840)
Actuarial (gain)/loss	(210,003)
<b>Net gratuity cost</b>	<b>1,706,867</b>
Experience Adjustment on Plan Assets	15,341
Experience Adjustment on Plan Liabilities	(194,662)
<b>Principal Actuarial Assumptions</b>	
Interest rate	7%
Discount rate (based on the market yields available on Government bond at the accounting date with a term that matches that of the liabilities)	7%
Expected rate of return on assets	
Salary increase (taking into account inflation, seniority, promotion and other relevant factors)	6%
Attrition rate of employees	5%
Retirement age of employees (Years)	58

Actuarial gain/loss is recognised immediately. The estimates of salary increase take into account inflation, promotion etc.



The Company has various schemes (funded/unfunded) for payment of gratuity to all eligible employees calculated at specific no. of days (ranging from 15 days to 1 month) of the last drawn salary depending upon tenure of service for each year of completed service subject to minimum of five years payable at the time of separation upon superannuation or on exit otherwise.

13. Capital Work in Progress includes Rs.33,802,788/- (PY:158,146,925/-) being expenditure during construction period pending capitalization/ allocation. Expenditure during construction period includes;

Particulars	Current year	Previous year
Advance to Machinery Suppliers, Civil Construction, Contractors.	25,921,027	87,406,931
Advances towards Building Under Construction, Electrical, Plant & Machinery under erection.	7,434,633	55,309,201
Others	442,128	15,430,793
<b>TOTAL</b>	<b>33,802,788</b>	<b>158,146,925</b>

14. Audit fees include payment towards:

Amount in Rs.

Particulars	Current year*	Previous year
Statutory Audit	225,000	160,000
Tax Audit	80,000	60,000
Certification	60,000	80,000
<b>TOTAL</b>	<b>365,000</b>	<b>300,000</b>

\*excludes service tax

15. Managerial Remuneration:

Particulars	Current year	Previous year
Salary	3,600,000	3,600,000
Perquisites	1,560,000	1,560,000
Commission	840,000	840,000
Company's Contribution to PF	432,000	432,000
<b>TOTAL</b>	<b>6,432,000</b>	<b>6,432,000</b>

16. Computation of Net Profit u/s 349 of the companies Act 1956.

Particulars	AMOUNT (Rs.)
Profit before Tax as per P&L A/c.	160,208,489
Add:1) Depreciation	60,436,841
2) Managerial Remuneration	6,432,000
	<b>227,077,330</b>
Less:Depreciation as per section: 350 of the Companies Act 1956.	60,436,841
Net Profit	166,640,489
Commission @ 1% subject to Ceiling on Managerial Remuneration	840,000

## 17. Interest Paid includes:

Particulars	Current year	Previous year
To Bank / Financial Institutions	48,903,185	7,937,571
To Corporate Bodies	963,107	563,503
To Government Bodies	85,758	-
<b>TOTAL</b>	<b>49,952,050</b>	<b>8,501,074</b>

## 18. Other Income Includes:

Particulars	Current year	Previous year
Interest (TDS CY:Rs.183,463/- PY:938,657/-)	695,234	3,823,271
Duty Drawback (Rebate) / Cenvat	6,394,495	8,365,541
Credit Balance No Longer Required	49,826	132,943
Scrap Sales	-	250,000
Royalty	-	2,786,246
Miscellaneous Receipts	-	1,366,744
Verified Energy Reduction	-	312,292
Discount Received	8,495	3,963
Dividend from subsidiary companies	324,750	-
<b>TOTAL</b>	<b>7,472,800</b>	<b>17,041,000</b>

## 19. Prior Period Income includes -

Particulars	Current year	Previous year
Taxes pertaining to earlier years (Net)	1,949,751	3,913,321
Claims and provisions no longer required (Net)	(3,429,177)	-
<b>TOTAL</b>	<b>(1,479,426)</b>	<b>3,913,321</b>

## 20. Contingent Liabilities:

Particulars	Current year	Previous year
For Local and Foreign L/Cs	53,009,622	35,810,708
Guarantees	1,804,000	1,176,456
Bills discounted	8,214,081	-
Letter of Comfort	202,440,000	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	9,950,000	177,633,000
Claim against the Company not acknowledged as debts	800,000	-
<b>TOTAL</b>	<b>276,217,703</b>	<b>214,620,164</b>

## 21. Other Statutory Information:

- (a) Installed capacities (as certified by the Management and relied upon by the Auditors being technical matter)

I Wind Energy	3.86 MW	3.86 MW
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- II Bulk Drug/Intermediates-: (In view of multiple products and processes individual annual capacities cannot be quantified, hence not applicable.)

### A) Actual Production

Sr. No.	Production	Current year	Previous year
1.	Bulk Drug (Kgs)	64,474.96	86,977.23
2.	Intermediates(Kgs)	102,118.20	131,718.20
3.	Wind Energy (Units)	7,058,416	7,112,270

### B) Stock & Turnover

Particulars	Current year		Previous year	
	Qty (Kgs)	Amount (Rs.)	Qty (Kgs)	Amount (Rs.)
<b>Opening Stock</b>				
Bulk Drugs	125.00	237,500	1724.10	49,61,001
<b>Total</b>	<b>125.00</b>	<b>237,500</b>	<b>1724.10</b>	<b>49,61,001</b>
<b>Closing Stock</b>				
Bulk Drugs	915.100	2,554,113	125.00	2,37,500
<b>Total</b>	<b>915.100</b>	<b>2,554,113</b>	<b>125.00</b>	<b>2,37,500</b>
<b>Turnover</b>				
Bulk Drugs	63,435.96	601,987,510	86,921.46	340,048,728
Intermediates	102,118.20	658,122,858	1,280,71.70	517,993,496
Others		75,130,971		56,359,471
Wind Energy - Units	7,058,416	24,309,404	7,112,270	24,326,549
<b>TOTAL</b>		<b>1,359,550,743</b>		<b>938,728,244</b>

### C) Major raw material consumed (exceeding 10% of the total consumption)

Particulars	Current year		Previous year	
	Qty (Kgs)	Amount (Rs.)	Qty (Kgs)	Amount (Rs.)
2-Amino 3,5-Dibromobenzaldehyde	-	-	7,500	8,754,202
Cholic Acid	91,500	259,710,039	101,000	260,236,372
3a.7a, dihydroxy-5b Cholan-24 OIC Acid	12,600	54,784,500	8,100	31,786,000
3a-Hydroxy-7-Keto 5b cholan 24 Acid	23,079	97,456,501	10,433	48,325,682
4-Amino-1(3,3 Difluoro-4-Hydroxy-5-Hydroxy	300	88,792,825	-	-
Potassium Tetra Chloro Platinat	36	33,240,923	-	-
Trans-4-Amnio Cyclohexanol	18,006	22,596,733	-	-
Others		229,837,643		259,730,521
<b>TOTAL</b>		<b>786,419,164</b>		<b>608,832,777</b>

## D) Cost of major materials traded

Raw material	Current year		Previous year	
	Qty (Kgs)	Amount (Rs.)	Qty (Kgs)	Amount (Rs.)
2-Amino 3,5-Dibromobenzaldehyde	-	-	200	240,000
Ursodeoxy Cholic Acid	4131	68,841,650	3,801	49,085,470
Others	-	86,684	-	-
<b>TOTAL</b>		<b>68,928,334</b>		<b>49,325,470</b>

## E) Value of Imported &amp; Indigenous Raw Materials &amp; Spares consumed

A) Raw Materials	Current year		Previous year	
	%	Amount (Rs.)	%	Amount (Rs.)
Imported	75.96	600,473,817	73.93	434,399,792
Indigenous	24.04	190,082,034	26.07	153,169,088
<b>TOTAL</b>	<b>100.00</b>	<b>790,555,851</b>	<b>100.00</b>	<b>587,568,880</b>
<b>B) Spares Consumed</b>				
Imported	-	-	-	-
Indigenous	100.00	5,397,456	100.00	4,296,978
<b>TOTAL</b>	<b>100.00</b>	<b>5,397,456</b>	<b>100.00</b>	<b>4,296,978</b>

## F) Foreign Exchange Earnings

Particulars	Current year	Previous year
Total Direct Export (FOB)	1,021,641,762	712,433,843
Royalty	-	2,786,246
Dividend received	324,750	-
Others	156,500	-
<b>TOTAL</b>	<b>1,022,123,012</b>	<b>715,220,089</b>

## Foreign Exchange Expenditure

Total Expenditure in Foreign Currency	Current year	Previous year
Foreign travel	1,489,029	932,535
Imports (CIF)	663,933,904	479,896,320
Interest	23,228,997	-
Others	65,337,566	10,906,429
<b>TOTAL</b>	<b>753,989,496</b>	<b>491,735,284</b>

## Dividend paid to NRI's/FCB

Particulars	Current year	Previous year
No. of Share holders	28	18
No. of Shares	2,879,838	612,576
Dividend (Rs.)	1,151,935	1,225,152



## 22. SEGMENT REPORTING:

The Company has two reportable segments viz., Bulk Drugs, Intermediates and Power. The financial Information about these business segments is presented as under:

Amount in Lakhs.

PARTICULARS	Current year	Previous year
<b>SEGMENT REVENUE</b>		
Bulk Drugs and Intermediates	13,352.42	9,144.02
Power	243.09	243.27
<b>TOTAL</b>	<b>13,595.51</b>	<b>9,387.29</b>
<b>SEGMENT RESULTS</b>		
Profit before Interest and Tax:		
Bulk Drugs and Intermediates	2,078.50	1,733.55
Power	23.11	32.10
<b>SUB -TOTAL</b>	<b>2,101.61</b>	<b>1,765.65</b>
Less: Interest	499.52	85.01
<b>PROFIT BEFORE TAX</b>	<b>1,602.08</b>	<b>1,680.64</b>
<b>CAPITAL EMPLOYED</b> (Segment Assets - Segment Liabilities)		
Bulk Drugs and Intermediates	14,101.62	8,280.51
Power	1,176.17	1,396.32
<b>TOTAL</b>	<b>15,277.79</b>	<b>9,676.83</b>

## 23. RELATED PARTIES DISCLOSURES PURSUANT TO ACCOUNTING STANDARD 18:

### List of related parties

1. **Associates**  
Bhakra Investments (P) Ltd  
Shilpa Finvest (P) Ltd  
Srinidhi Cottons (P) Ltd
2. **Subsidiaries**  
Zatortia Holdings Ltd  
Raichem Lifesciences (P) Ltd  
Loba Feinchemie GmbH
3. **Key Management Personnel**  
Vishnukanth C. Bhutada
4. **Relatives**  
Dharmavati Bhutada  
Triveni Innani  
Tarabai Innani  
Vishnukanta Innani  
Manjulata Innani  
Shakuntalabai Innani  
Deepak Kumar Innani  
Ramakant Innani

Sl. No.	Particulars	Current Year				Previous Year			
		Subsidiaries	Associates	Key Management Personnel	Relatives	Subsidiaries	Associates	Key Management Personnel	Relatives
1.	<i>Sale of Fixed Assets</i>								
	A) Loba Feinchemie GmbH	156,500	-	-	-	-	-	-	-
2.	<i>Product Promotion expenses</i>								
	Loba Feinchemie GmbH	3,711,400	-	-	-	-	-	-	-
3.	<i>Dividend Received</i>								
	A) Zatortia Holdings Ltd	324,750	-	-	-	-	-	-	-
	<i>Interest Paid</i>								
	A) Shilpa Finvest (P) Ltd	-	334,792	-	-	339,441	-	-	-
	B) Srinidhi Cottons (P) Ltd	-	24,658	-	-	-	-	-	-
	C) Bhakra Investments (P) Ltd	-	603,657	-	-	39,344	-	-	-
4.	<i>Rent paid</i>								
	A) Dharmavati Bhutada	-	-	-	106,875	-	-	-	-
	B) Triveni Innai	-	-	-	42,750	-	-	-	-
	C) Tarabai Innani	-	-	-	21,375	-	-	-	-
	D) Vishnukanta Innani	-	-	-	21,375	-	-	-	-
	E) Manjulata Innani	-	-	-	21,375	-	-	-	-
	E) Shakuntalabai Innani	-	-	-	120,000	-	-	-	120,000
5.	<i>Remuneration</i>								
	A) Ramakanth Innani	-	-	-	917,829	-	-	-	517,829
	B) Deepak Innani	-	-	-	477,996	-	-	-	477,996
6.	<i>Managerial Remuneration</i>								
	A) Vishnukanth C. Bhutada	-	-	6,432,000	-	-	6,432,000	-	-
7.	<i>Movement of Loans/Deposits/Advances</i>								
7.1	<i>Opening Balance</i>								
	A) Bhakra Investments (P) Ltd	-	20,000,000	-	-	-	-	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	3,394,410	-	-	-
	C) Zatortia Holdings Ltd	163,464,853	-	-	-	-	-	-	-
7.2	<i>Given during the year</i>								
	A) Zatortia Holdings Ltd	5,751,500	-	-	-	163,464,853	-	-	-
	B) Raichem Life Sciences Pvt Ltd	5,336,594	-	-	-	-	-	-	-

(Contd...)

Sl. No.	Particulars	Current Year				Previous Year			
		Subsidiaries	Associates	Key Management Personnel	Relatives	Subsidiaries	Associates	Key Management Personnel	Relatives
7.3	<i>Accepted during the year</i>								
	A) Srinidhi Cottons (P) Ltd	-	7,500,000	-	-	-	-	-	-
	B) Bhakra Investments (P) Ltd	-	-	-	-	-	20,000,000	-	-
7.4	<i>Paid during the year</i>								
	A) Bhakra Investments (P) Ltd	-	20,000,000	-	-	-	-	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	-	-	-	-
	C) Srinidhi Cottons (P) Ltd	-	7,500,000	-	-	-	-	-	-
7.5	<i>Received back during the year</i>								
	A) Zatortia Holdings Ltd	3,247,500	-	-	-	-	-	-	-
7.6	<i>Closing Balance</i>								
	A) Bhakra Investments (P) Ltd	-	-	-	-	-	20,000,000	-	-
	B) Shilpa Finvest (P) Ltd	-	-	-	-	-	3,394,410	-	-
	C) Zatortia Holdings Ltd	178,463,411	-	-	-	163,464,853	-	-	-
	D) Raichem Lifesciences Pvt Ltd	5,336,594	-	-	-	-	-	-	-
8	<i>Other Outstandings</i>								
8.1	<i>Payables</i>								
	A) Vishnukanth C. Bhutada	-	-	554,000	-	-	-	-	-
	B) Loba Feinchemie GmbH	3,542,700	-	-	-	-	-	-	-
9	<i>Maximum balance outstanding during the year</i>								
	A) Bhakra Investments (P) Ltd	-	20,030,429	-	-	-	2,00,00,000	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	-	3,394,410	-	-
	C) Zatortia Holdings Ltd	178,463,441	-	-	-	163,464,853	-	-	-
	D) Raichem Life Sciences Pvt Ltd	5,336,594	-	-	-	-	-	-	-



**Balance Sheet abstract and Company's General Business Profile:**

<b>I. Registration Details:</b>		<b>Amount in Rs. '000</b>	
Registration No.	8739		
State Code:	08		
Balance Sheet date	31 <sup>st</sup> March, 2009.		
<b>II. Capital raised during the Year:</b>			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
Conversion of Warrants	1500		
<b>III. Position of Mobilization &amp; Deployment of Funds:</b>			
Total Liabilities	2,007,204.87		
Total Assets	2,007,204.87		
<b><u>SOURCE OF FUNDS:</u></b>			
Share Capital	44,048.33	Reserves & Surplus	634,436.46
Secured Loan	970,741.13	Unsecured Loan	Nil
Deferred Tax Liability	108,093.66		
<b><u>APPLICATION OF FUNDS:</u></b>			
Net fixed assets(Incl.CWIP)	1,272,429.95	Investments	222.38
Current assets	734,552.54	Misc. Expenditure	Nil
Accumulated Losses	Nil		
<b>IV. PERFORMANCE OF THE COMPANY</b>			
Turnover & Other Income	1,367,023.54	Total expenditure	1,208,786.26
Profit/Losses before tax	160,208.49	Profit/losses after taxes	74,170.48
Earnings per share	3.40		
Dividend	25%		
<b>V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (in monetary terms)</b>			
Product Description	Bulk Drugs	Intermediates	Power
Item code No. (I.T.C code)	2901	2901	-
Turnover	601987.51	658122.85	24,309.40

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-  
**P. M. Bhandari**  
Partner  
M.No: 036241

Sd/-  
**Omprakash Inani**  
Chairman

Sd/-  
**Vishnukant Bhutada**  
Managing Director

Sd/-  
**Atim Kabra**  
Director

Sd/-  
**Carlton Felix Periera**  
Director

Sd/-  
**Pramod Kasat**  
Independent Director

Sd/-  
**Venugopal Loya**  
Independent Director

Place: Hyderabad  
Dated: 31<sup>st</sup> August, 2009

Sd/-  
**Rajendra Sunki Reddy**  
Independent Director

Sd/-  
**N.P.S. Shinh**  
Independent Director

Sd/-  
**Nagalakshmi Popuri**  
Company Secretary



### AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SHILPA MEDICARE LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SHILPA MEDICARE LIMITED AND ITS SUBSIDIARIES.

- 1) We have audited the attached Consolidated Balance sheet of SHILPA MEDICARE LIMITED and its Subsidiaries as at 31st March 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
  1. The Consolidated Financial Statements of M/s. Zatortia Holdings Limited, foreign subsidiary, is audited by other auditors as per the requirement of the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law. These financial statements have been converted as per the requirement of Indian GAAP and reflect total assets of Rs.1,792.17 Lakhs as at 31st March, 2009 and total revenue of Rs.24.17 Lakhs and net cash inflow amounting to Rs.3.51 Lakhs for the year then ended.
  2. The Consolidated Financial Statements of M/s. Loba Feinchemie GmbH, foreign sub-subsidiary, is audited by other auditors in accordance with the legal requirements and the generally accepted Austrian Professional Standards. These financial statements have been converted as per the requirement of Indian GAAP and reflect total assets of Rs.2,090.53 Lakhs as at 31st March, 2009 and total revenue of Rs.3,116.02 Lakhs and net cash outflow amounting to Rs.51.77 Lakhs for the year then ended.
- 3) We report that the consolidated financial statements have been prepared by the company in accordance with the requirement of Accounting standard (AS) 21, "Consolidated Financial Statements", and other applicable Accounting Standards.
- 4) On the basis of the information and explanation given to us and on the consideration of the separate audit reports on the individual audited financial statements of SHILPA MEDICARE LIMITED and its subsidiaries and read with other notes, we are of the opinion that:
  - a) the Consolidated Balance Sheet gives a true and fair view of the consolidated State of affairs as at 31st March 2009;
  - b) the Consolidated profit and Loss Account gives a true and fair view of the results of operation for the year ended; and
  - c) the consolidated Cash flow Statement gives a true and fair view, of the cash flows for the year ended on that date.

For BOHARA BHANDARI BUNG AND ASSOCIATES  
CHARTERED ACCOUNTANTS

Place: Hyderabad  
Dated: 31.08.2009

P.M. BHANDARI  
PARTNER  
M.NO.036241

CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2009

Amount in Rs.

Particulars	Sch No.	CURRENT YEAR	PREVIOUS YEAR
<b>I. SOURCE OF FUNDS:</b>			
1. Share Holder's Fund			
a) Share Capital	1	44,048,330	34,715,000
b) Share Capital Suspense	1A	-	7,833,330
c) Share Warrant		-	6,000,000
2. Reserves & Surplus	2	549,276,192	510,593,856
3. Foreign Currency Translation Reserve		(6,642,467)	867,184
4. Loan Funds			
a) Secured Loan	3	1,083,051,683	813,547,047
b) Unsecured Loan		41,246,894	69,274,130
5. Minority Interest		6,141	13,833
6. Deferred Tax Liability		108,093,660	74,875,218
<b>TOTAL</b>		<b>1,819,080,433</b>	<b>1,517,719,598</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets			
Goodwill		31,312,340	25,698,536
Gross Block	4	2,089,404,864	1,405,573,299
Less: Depreciation	4	675,639,535	552,763,629
		1,445,077,668	878,508,206
Add: Capital Work in Progress	4	36,513,788	158,689,924
		1,481,591,456	1,037,198,130
2. Investments	5	16,680,702	15,218,815
3. Current Assets, Loans & Advances:			
a) Inventories	6	320,908,704	324,994,051
b) Sundry Debtors	7	237,008,360	192,225,008
c) Cash & Bank Balance	8	38,069,280	145,746,447
d) Loans & Advances	9	110,231,622	89,604,472
		706,217,966	752,569,978
Less: Current Liabilities & Provisions	10	386,397,527	287,267,325
		319,820,439	465,302,653
4. Miscellaneous expenditure to the extent not written off		987,835	-
<b>TOTAL</b>		<b>1,819,080,433</b>	<b>1,517,719,598</b>

Schedule 01 to 10 and Notes to Accounts form an integral part of Balance Sheet.

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**

For and on behalf of the Board of Directors

Chartered Accountants

Sd/-  
**P.M. Bhandari**  
 Partner  
 M.No: 036241

Sd/-  
**Omprakash Inani**  
 Chairman  
 Sd/-  
**Carlton Felix Periera**  
 Director  
 Sd/-

**Rajendra Sunki Reddy**  
 Independent Director

Sd/-  
**Vishnukant Bhutada**  
 Managing Director  
 Sd/-  
**Pramod Kasat**  
 Independent Director  
 Sd/-

**N.P.S. Shinh**  
 Independent Director

Sd/-  
**Atim Kabra**  
 Director  
 Sd/-  
**Venugopal Loya**  
 Independent Director  
 Sd/-

**Nagalakshmi Popuri**  
 Company Secretary

Place: Hyderabad  
 Dated: 31<sup>st</sup> August, 2009



## Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2009

Amount in Rs.

PARTICULARS	Sch No.	CURRENT YEAR
<b>INCOME:</b>		
Sales		1,685,618,220
Less: Excise Duty		21,296,178
		1,664,322,042
Variation in Finished Goods	11	(16,412,008)
Other Income	12	10,363,654
<b>TOTAL</b>		<b>1,658,273,687</b>
<b>EXPENDITURE</b>		
Materials	13	920,053,070
Employees Expenditure	14	238,533,310
Operating & Administrative Expenditure	16	169,572,469
Exchange (Gain) / Loss		102,726,384
Interest		57,674,729
Depreciation	4	94,110,346
<b>TOTAL</b>		<b>1,582,670,308</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>		75,603,379
Less: Tax Expense		
a) Current Tax		52,488,642
b) Fringe Benefit Tax		319,565
c) Deferred Tax		33,218,442
		86,026,649
<b>PROFITS / (LOSS) AFTER TAXES</b>		<b>(10,423,270)</b>
Less: Prior Period Adjustments	15	(1,479,426)
		<b>(8,943,844)</b>
Add: Profits from Earlier Years		268,294,302
<b>PROFITS AVAILABLE FOR APPROPRIATION</b>		<b>259,350,458</b>
Appropriations		
A) Transferred to General Reserve		10,000,000
B) Provision for Proposed Dividend		11,012,085
C) Dividend Tax (Incl.Surcharge and Cess)		1,872,055
		<b>22,884,140</b>
Loss pertaining to Minority Share		(8,413)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>236,474,731</b>
Earnings per Share		
Basic & Diluted (Rs.2/- share)		(0.48)
Weighted Average No. of Equity shares		
Basic & Diluted		21,839,233

Schedules 11 to 16 and Notes to Accounts form an integral part of Profit and Loss Account.

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**

For and on behalf of the Board of Directors

Chartered Accountants

Sd/-  
**P.M. Bhandari**  
Partner  
M.No: 036241

Sd/-  
**Omprakash Inani**  
Chairman  
Sd/-  
**Carlton Felix Periera**  
Director  
Sd/-

Sd/-  
**Vishnukant Bhutada**  
Managing Director  
Sd/-  
**Pramod Kasat**  
Independent Director  
Sd/-

Sd/-  
**Atim Kabra**  
Director  
Sd/-  
**Venugopal Loya**  
Independent Director  
Sd/-

Place: Hyderabad  
Dated: 31<sup>st</sup> August, 2009

**Rajendra Sunki Reddy**  
Independent Director

**N.P.S. Shinh**  
Independent Director

**Nagalakshmi Popuri**  
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009

Amount in Lakhs

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax (PBT)	756.03	1,675.59
<b>Add: Adjustments</b>		
Add : Depreciation	941.10	351.09
Add : (Profit) / Loss on sale of Fixed Assets	8.09	-
Add : Interest (Net)	558.97	47.01
Add : Expenditure related to financial investment	1.65	-
Add: Doubtful recoveries provided/Written off	15.02	2.60
Add: Unrealized foreign exchange on consolidation Net Gain/(Loss)	(75.10)	-
Add: Unrealized exchange Loss	1,157.76	-
Less: Unrealized exchange Gain	(164.78)	-
	3,198.74	2,076.29
<b>Operating profit before working capital changes</b>		
Increase/(Decrease)in Current Liabilities	697.15	600.74
Decrease/(Increase) in Receivables	(425.75)	(235.96)
Decrease/(Increase) in Inventory	40.85	-
Decrease/(Increase) in Miscellaneous expenditure to the extent not written off	(9.68)	-
Decrease/(Increase) in Other Loans and Advances	(63.45)	(1,303.02)
	3,437.87	1,138.05
<b>Less:</b>		
Income Tax paid	(463.60)	(280.56)
<b>Net Cash flow from Operating activities</b>	<b>2,974.27</b>	<b>857.49</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and change in Capital Work in progress	(5,211.97)	(6,810.92)
Sale of Fixed Assets	1.93	-
Interest received	16.13	38.23
Goodwill	(56.14)	-
Purchase of investments	(15.62)	(19.45)
Purchase of shares in subsidiary companies.	-	-
<b>Net cash from Investing Activities</b>	<b>(5265.67)</b>	<b>(6,792.14)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	15.00	-
Increase in Share Premium (Net)	525.00	-
Interest Expenses	(576.75)	(85.24)
Secured Loans	1,610.45	6,559.71
Unsecured Loans	(280.27)	200.30
Subsidy received during the year	20.00	-
Dividend & Dividend distribution tax	(98.80)	(79.17)
<b>Net Cash flow from Financing Activities</b>	<b>1,214.62</b>	<b>6,595.60</b>
Net Increase/(decrease)in Cash and Cash Equivalents	<b>(1,076.78)</b>	<b>660.95</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the year</b>	<b>1,457.46</b>	<b>796.51</b>
<b>Cash &amp; Cash Equivalents at the End of the year</b>	<b>380.69</b>	<b>1,457.46</b>

As per our Report of even date attached.

For **Bohara Bhandari Bung And Associates**

For and on behalf of the Board of Directors

Chartered Accountants

Sd/-  
**P.M. Bhandari**  
 Partner  
 M.No: 036241

Sd/-  
**Omprakash Inani**  
 Chairman  
 Sd/-  
**Carlton Felix Periera**  
 Director  
 Sd/-

Sd/-  
**Vishnukant Bhutada**  
 Managing Director  
 Sd/-  
**Pramod Kasat**  
 Independent Director  
 Sd/-

Sd/-  
**Atim Kabra**  
 Director  
 Sd/-  
**Venugopal Loya**  
 Independent Director  
 Sd/-

Place: Hyderabad  
 Dated: 31<sup>st</sup> August, 2009

**Rajendra Sunki Reddy**  
 Independent Director

**N.P.S. Shinh**  
 Independent Director

**Nagalakshmi Popuri**  
 Company Secretary



## CONSOLIDATED SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

Amount in Rs.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE NO: 01</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital:</b>		
40,000,000 (40,000,000) Equity Shares of Rs.2/-(2/-) each.	80,000,000	80,000,000
<b>Issued, Subscribed and Paid Up Capital:</b>		
1) 22,024,165 (1,73,57,500) Equity Shares of Rs.2/-(2/-) each (Of the above equity shares 6,662,500 (6,662,500) Equity Shares of Rs 2/-(Rs 2/-) each were issued as fully paid Bonus Shares by way of Capitalisation of Reserves.)	44,048,330	34,715,000
2) During the year 39,16,665 (NIL) shares of Rs.2/- allotted to the erstwhile shareholders of Shilpa Organics (P) Ltd on approval of Amalgamation Scheme by the Hon. High Court Karnataka by transferring such amount from Share Capital Suspense A/c.  During the year 750,000 (NIL) shares of Rs.2/- each allotted to Share Warrant holders on exercising their option for conversion at a premium of Rs.78/- per share.		
<b>TOTAL</b>	<b>44,048,330</b>	<b>34,715,000</b>
<b>SCHEDULE NO: 01A</b>		
<b>SHARE CAPITAL SUSPENSE</b>		
3,916,665 (783,333) Equity Shares of Rs.2/-(10/-) each fully paidup to be allotted to the shareholders of erstwhile Shilpa Organics Pvt Ltd. pursuant to the Scheme of Amalgamation	-	7,833,330
<b>TOTAL</b>	<b>-</b>	<b>7,833,330</b>

**CONSOLIDATED SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009**

Amount in Rs.

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
<b>SCHEDULE NO: 02</b>				
<b>RESERVES &amp; SURPLUS</b>				
a) Subsidy:				
Opening Balance	3,172,199		3,172,199	
Additions during the year	2,000,000	5,172,199	-	3,172,199
b) Share Premium Account;				
Opening Balance	216,125,000		216,125,000	
Additions during the year	58,500,000	274,625,000	-	216,125,000
c) General Reserve:				
Opening Balance	19,768,369		13,048,670	
Less: Deletions during the year	-		(3,280,301)	
Add: Additions during the year	10,000,000	29,768,369	10,000,000	19,768,369
d) Capital Reserve				
Shares Forfeited		3,235,893		3,235,893
e) Surplus from Profit & Loss Account		236,474,731		268,292,395
<b>TOTAL</b>		<b>549,276,192</b>		<b>510,593,856</b>
<b>SCHEDULE No: 03</b>				
<b>SECURED &amp; UNSECURED LOANS</b>				
<b>A) Secured Loans</b>				
a) External Commercial Borrowings (Term Loan)	509,460,000		401,000,000	
b) Term Loan	336,579,554		177,536,525	
c) Working Capital Loan (Cash Credit/Packing Credit/Deposit Loan etc)	237,012,129	1,083,051,683	235,010,522	813,547,047
<b>B) Unsecured Loans</b>				
a) Inter Corporate Loans	-		69,274,130	
b) Loan from Sleeping Partner	41,221,894		-	
c) Loan from Directors	25,000	41,246,894	-	69,274,130
<b>TOTAL</b>		<b>1,124,298,577</b>		<b>882,821,177</b>

## SCHEDULE NO. 04 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As On 01/04/2008	Additions/ Adjustment during the year	Deletions/ Adjustment during the year	As on 31/3/2009	As on 01/04/2008	For the Period	Deduction/ Adjustment for the year	As on 31/3/2009	As on 31/3/2008
Borewell	164,341	-	-	164,341	28,310	8,218	-	36,528	127,813
Building	408,065,166	153,443,617	-	561,508,783	154,602,200	16,585,464	(10,168,360)	181,356,024	380,152,759
Canteen Equipment	-	47,489	-	47,489	-	3,000	-	3,000	44,489
Computer	8,096,768	3,503,632	-	11,600,400	5,151,179	1,300,841	(236,720)	6,688,740	4,911,660
Electrical Installation	12,245,169	79,429,883	-	91,675,052	3,293,202	1,173,239	-	4,466,441	87,208,611
Empty Cylinders	399,934	-	-	399,934	135,529	29,675	-	165,204	234,730
ETP Building	44,457,273	-	-	44,457,273	-	1,480,805	-	1,480,805	42,976,468
ETP Machinery	-	16,204,182	-	16,204,182	-	43,900	-	43,900	16,160,282
Furniture	129,650,989	14,537,228	641,905	143,546,312	99,955,383	8,017,702	(6,234,484)	114,207,569	29,338,743
Generator	1,009,207	2,720,472	-	3,729,679	446,301	203,748	-	650,049	3,079,630
Intangible rights	11,121,109	1,384,401	-	12,505,510	10,774,030	169,105	(749,691)	11,692,826	812,684
Lab Equipments	25,729,789	68,113,074	-	93,842,863	20,632,200	2,036,681	(1,288,774)	23,957,655	69,885,207
Leasehold Land/Plot	20,059,309	14,857,356	-	34,916,665	-	-	-	-	34,916,665
Office Equipment	-	28,700	-	28,700	-	1,649	-	1,649	27,051
P/M (Power Generation Unit)	197,087,510	-	-	197,087,510	55,568,020	20,378,849	-	75,946,869	121,140,641
Pipeline	19,262,955	70,904,108	-	90,167,063	3,429,462	1,947,244	-	5,376,706	84,790,357
Plant & Machinery	486,980,059	257,021,228	-	744,001,287	190,273,434	37,749,742	(10,514,445)	238,537,622	505,463,665
Pollution Control Equip.	2,497,793	1,152,975	-	3,650,768	1,727,305	192,730	-	1,920,035	1,730,733
R & D Equipments	23,417,107	722,387	1,151,677	22,987,817	2,791,901	1,124,630	205,929	3,710,602	19,277,215
Storage Tank	1,528,082	601,089	-	2,129,171	670,494	294,013	-	964,507	1,164,664
Technical Know-how	2,188,000	-	-	2,188,000	1,265,828	218,800	-	1,484,628	703,372
Transformer	355,497	2,843	-	358,340	64,610	26,438	-	91,048	267,292
Unit-II Land & Building	585,872	-	-	585,872	141,909	19,568	-	161,477	424,395
Vehicle	10,442,370	1,039,663	436,088	11,045,945	1,760,462	1,088,045	220,985	2,627,522	8,418,424
Weigh Bridge	-	346,908	-	346,908	-	69	-	69	346,839
Xerox Machine	229,000	-	-	229,000	51,871	16,190	-	68,061	160,939
<b>Total (Rs)</b>	<b>1,405,573,298</b>	<b>686,061,235</b>	<b>2,229,670</b>	<b>2,089,404,864</b>	<b>552,763,629</b>	<b>94,110,346</b>	<b>(28,765,560)</b>	<b>675,639,535</b>	<b>1,413,765,329</b>
Previous Year	996,388,196	411,968,048	2,782,946	1,405,573,298	487,591,453	67,537,234	2,365,058	552,763,629	852,809,669

The above figures of additions/adjustments in gross block and depreciation is net of exchange fluctuation movement.



**CONSOLIDATED SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009**

Amount in Rs.		
PATICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE No: 05</b>		
<b>INVESTMENTS</b>		
Repurchase value reinsurance	12,098,613	10,780,239
Investment fund units	4,562,089	4,423,576
In Government Securities (NSC-Assigned as Securities to Government Department)	20,000	15,000
<b>TOTAL</b>	<b>16,680,702</b>	<b>15,218,815</b>
<b>SCHEDULE No. 06</b>		
<b>INVENTORIES</b>		
a) Finished Goods	66,549,935	82,961,943
b) Raw Materials	91,326,528	76,220,167
c) Work-in-progress	136,540,119	116,719,154
d) Stores & Spares	26,195,442	48,861,580
e) Packing Material	296,679	231,207
<b>TOTAL</b>	<b>320,908,704</b>	<b>324,994,051</b>
<b>SCHEDULE No. 07</b>		
<b>SUNDRY DEBTORS</b>		
a) Unsecured (unless otherwise stated). Outstanding for more than six months : considered good	7,560,482	3,839,716
Considered Doubtful / Bad	1,515,000	260,182
	<u>9,075,482</u>	<u>4,099,898</u>
Less: Bad Debts Written off	1,515,000	260,182
	7,560,482	3,839,716
b) Outstanding for less than six months : considered Good	229,447,878	188,385,292
<b>TOTAL</b>	<b>237,008,360</b>	<b>192,225,008</b>
<b>SCHEDULE No: 08</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash-in-Hand	473,913	362,143
b) Foreign Currency in hand	50,158	-
c) Balance with Scheduled Bank:		
1. In Current Accounts	14,288,088	60,179,709
2. In Fixed Deposits	23,257,122	85,204,595
<b>TOTAL</b>	<b>38,069,280</b>	<b>145,746,447</b>



## CONSOLIDATED SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

Amount in Rs.

PATICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE No: 09</b>		
<b>LOANS &amp; ADVANCES</b>		
a) Loans/Advances receivable (Unsecured considered good unless otherwise stated)	-	-
i) Loan to wholly owned subsidiary Companies	-	-
ii) Loan to Corporate Body	-	36,000,000
b) Advances Recoverable in cash or kind for value to be recovered	5,638,793	1,843,753
c) Sundry Deposits	1,150,700	155,200
d) Deposits with Government Offices/ Local Authorities	20,964,363	2,965,902
e) Advance Income Tax/TDS receivable	38,052,496	23,770,147
f) Interest accrued but not due on fixed deposit with Bank	211,477	559,888
g) Refund of Excise Duty receivable	20,824,166	17,642,269
h) VAT paid on Capital & Other Items	9,628,445	957,836
i) CST Receivable	13,418,960	5,709,477
j) VAT Recievable	341,862	-
k) Service tax receivable	360	-
<b>TOTAL</b>	<b>110,231,622</b>	<b>89,604,472</b>
<b>SCHEDULE No: 10</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) Current Liabilities</b>		
a) Unclaimed Dividend	525,825	450,428
b) Unclaimed bonus/salary	64,910	-
c) Interest Payable but not due	1,150,296	-
d) Sundry Creditors:		
i) For Goods	146,448,475	83,616,842
ii) For Others	93,975,247	87,711,160
e) VAT, Entry Tax & Profession Tax	4,585	315,815
f) Tax Deducted at Source (TDS) payable	629,381	1,406,775
g) Salary Payable	53,625	-
h) Other Liabilities	61,426,011	66,813,433
<b>B) Provisions</b>		
a) Provision for Income Tax	52,500,000	33,248,710
b) Proposed Dividend	11,012,085	8,509,666
c) Provision for Tax on Proposed Dividend	1,872,055	1,446,218
d) Provisions for Expenses	2,190,785	183,233
e) Provision for Gratuity	14,544,247	3,565,045
f) Other Provisions	- 82,119,172	- 46,952,872
<b>TOTAL</b>	<b>386,397,527</b>	<b>287,267,325</b>
<b>SCHEDULE No. 11</b>		
<b>VARIATION IN FINISHED GOODS</b>		
Closing Stock of Finished Goods	66,549,935	
Less: Opening Stock of Finished Goods	82,961,943	
<b>TOTAL</b>	<b>(16,412,008)</b>	

**SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009**

Amount in Rs.	
PARTICULARS	CURRENT YEAR
<b>SCHEDULE No: 12</b>	
<b>OTHER INCOME</b>	
a) Miscellaneous Income	9,005,694
b) Others	1,357,959
<b>TOTAL</b>	<b>10,363,654</b>
<b>SCHEDULE No: 13</b>	
<b>MATERIALS</b>	
a) Raw Materials Consumed	839,540,559
Less: Change in Work in Progress	<u>(19,255,919)</u>
b) Cost of Materials Traded	820,284,640
c) Packing Material Consumed	98,339,835
	1,428,595
<b>TOTAL</b>	<b>920,053,070</b>
<b>SCHEDULE No: 14</b>	
<b>EMPLOYEE EXPENDITURE</b>	
a) Salaries, Wages, Bonus and Allowances.	195,235,501
b) Contribution to Provident Fund, Gratuity and Other Funds.	4,299,314
c) Welfare Expenses.	38,998,495
<b>TOTAL</b>	<b>238,533,310</b>
<b>SCHEDULE No: 15</b>	
<b>PRIOR PERIOD EXPENSES</b>	
Prior Period (Income)/Expenses	(1,479,426)
<b>TOTAL</b>	<b>(1,479,426)</b>
<b>SCHEDULE No: 16</b>	
<b>OPERATING &amp; ADMINISTRATIVE EXPENSES</b>	
a) Commission, Brokerage & Consultancy	12,542,189
b) Clearing & Forwarding	7,336,643
c) Laboratory Expenses & R&D Expenses	5,633,674
d) Power & Fuel	49,601,111
e) Repairs & Maintenance	
i) Plant & Machinery	13,951,648
ii) Building	4,048,783
iii) Others	<u>4,658,577</u>
f) Transportation Expenses	22,659,008
g) VAT, Entry Tax & Profession Tax	8,260,542
h) Travelling Expenses	767,459
i) Advertisements & Sales Promotion Expenses	12,392,539
j) Postage, Telephones & Couriers	4,466,194
k) Insurance	3,034,834
l) Legal Charges/License Fees/Rates & Taxes	7,128,748
m) Miscellaneous Expenses	13,924,386
n) Bank Charges	12,407,248
o) Auditor Fees	4,805,024
p) Listing Fees	1,651,205
q) Job work Expenses	116,062
r) Bad Debts written off	117,754
s) Loss on Transfer of Assets	1,501,931
t) Conveyance Reimbursement	809,125
	416,794
<b>TOTAL</b>	<b>169,572,469</b>

## SCHEDULE '17'

### NOTES ON ACCOUNTS

#### 1. Principles of Consolidation:

- (a) The consolidated financial statements have been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements". These relate to Shilpa Medicare Limited (the Company), its subsidiaries (the group) and are prepared on the following basis:
- i) The financial statements of the Company and its subsidiaries are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating inter-group balances and intra-group transactions including unrealized profits/ losses in year end inventories.
  - ii) The difference between the Company's cost of investments in the subsidiaries, over its portion of equity at the time of acquisition of shares and subsequent expenditure for the purpose of such acquisition incurred during the year is recognised in the consolidated financial statements as goodwill.
  - iii) Minority interest's share in net profit/ loss for the year is adjusted against the income of the group in order to arrive at the net income/loss attributable to shareholders of the Company. Minority Interest's share in net assets of consolidated subsidiaries is presented in the Consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders. Minority Interest in the consolidated financial statements is identified and recognised after taking into consideration:
    - The amount of equity attributable to the minorities at the date on which investments in a subsidiary is made.
    - The minorities' share of movement in equity since the date parent- subsidiary relationship came into existence.
    - The losses attributable to the minorities are adjusted against the minority interest in the equity of the subsidiary.
  - iv) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are converted at the average rates prevailing during the year. All assets and Liabilities as at the year end are converted as per the closing rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the "Foreign Currency Translation Reserve".
  - v) The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.
  - vi) The subsidiaries considered in the Consolidated Financial Statements are as under:

	Name of the Subsidiary	Country	Extent of Holding
1.	Zatortia Holdings Limited ('Zatortia')	Cyprus	100.00%
2.	Loba Feinchemie GmbH ('Loba')	Austria	99.99%
3.	Raichem Lifesciences Pvt Ltd ('Raichem') (formerly known as Raichem Pharma Pvt Ltd)	India	100.00%

- vii) For the purpose of consolidation, the Consolidated Financial Statements of the Company which reflects Zatortia, Loba & Raichem as at 31st March 2009 has been prepared. In order to consolidate, financial statements of the Company have been restated, where considered material, to comply with Generally Accepted Accounting Principles in India.

- viii) Loss for the year attributable to Minority has been calculated proportionately on the basis of their respective holdings.

#### Other Notes

- This is the first year of revenue consolidation of the Company since the subsidiary viz; Loba was acquired by its holding Company Zatortia which is an investment subsidiary of the Company, was acquired on March 31, 2008. Therefore, previous year's figures pertaining to the consolidated profit and loss account of the Group is not applicable. However, balance sheet consolidation as on March 31, 2008 was done and therefore corresponding figures for the previous year are given.
- In View of different sets of environment in which Cyprus & Austrian subsidiaries namely Zatortia & Loba respectively are operating, Accounting policies followed in respect of following items by them are different from the accounting policies mentioned in Schedule 22 of the Financial statements of the parent Unit:

Particulars	Accounting Policies		2008-09	
	Company	Subsidiaries	Amount	Proportion
(a) Depreciation and Amortization	a) Depreciation is charged on the basis of rates and manner specified for each class of assets in Schedule XIV of the companies Act, 1956.	a) Depreciation is charged based on balance useful life of assets (ranging from 10%-50%) on straight line basis depending on the type of assets.	3,752,216	99.99%

- In respect of accounting of employee benefits AS-15 has been strictly complied with by the Holding Company in respect of all the employee benefits. The details of which are given elsewhere in the standalone notes.

In respect of subsidiary companies employee benefits i.e. pension plan is fully funded by way of reinsurance with the Insurance Company. In respect of provision for severance payments / jubilee payments net present value with interest @4%, retirement age 65/60 (male/female), attrition rate @10% to 30% is calculated as generally accepted in their respective countries but are not based on actuarial methodologies.

- Contingent Liabilities:

Particulars	Current year	Previous year
For Local and Foreign L/Cs	53,009,622	35,810,708
Guarantees	16,171,132	13,757,502
Bills discounted	8,214,081	-
Letter of Comfort	202,440,000	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	9,950,000	177,633,000
Claim against the Company not acknowledged as debts	800,000	-
<b>TOTAL</b>	<b>290,584,835</b>	<b>227,201,210</b>



## 5. RELATED PARTIES DISCLOSURES PURSUANT TO ACCOUNTING STANDARD 18:

### List of related parties

#### 1. Associates

Bhakra Investments (P) Ltd  
Shilpa Finvest (P) Ltd  
Srinidhi Cottons (P) Ltd

#### 2. Key Management Personnel

Vishnukanth C. Bhutada

#### 3. Relatives

Dharmavati Bhutada  
Triveni Innani  
Tarabai Innani  
Vishnukanta Innani  
Manjulata Innani  
Shakuntalabai Innani  
Deepak Kumar Innani  
Ramakant Innani

Sl. No.	Particulars	Current Year				Previous Year			
		Subsidiaries	Associates	Key Management Personnel	Relatives	Subsidiaries	Associates	Key Management Personnel	Relatives
1.	<i>Interest Paid</i>	-	334,792	-	-	-	339,441	-	-
	A) Shilpa Finvest (P) Ltd	-	334,792	-	-	-	339,441	-	-
	B) Srinidhi Cottons (P) Ltd	-	24,658	-	-	-	-	-	-
	C) Bhakra Investments (P) Ltd	-	603,657	-	-	9,344	-	-	-
2.	<i>Rent paid</i>	-	-	-	106,875	-	-	-	-
	A) Dharmavati Bhutada	-	-	-	106,875	-	-	-	-
	B) Triveni Innani	-	-	-	42,750	-	-	-	-
	C) Tarabai Innani	-	-	-	21,375	-	-	-	-
	D) Vishnukanta Innani	-	-	-	21,375	-	-	-	-
	E) Manjulata Innani	-	-	-	21,375	-	-	-	-
	E) Shakuntalabai Innani	-	-	-	120,000	-	-	-	120,000
3.	<i>Remuneration</i>	-	-	-	917,829	-	-	-	517,829
	A) Ramakanth Innani	-	-	-	917,829	-	-	-	517,829
	B) Deepak Innani	-	-	-	477,996	-	-	-	477,996
4.	<i>Managerial Remuneration</i>	-	-	6,432,000	-	-	6,432,000	-	-
	A) Vishnukanth C. Bhutada	-	-	6,432,000	-	-	6,432,000	-	-
5.	<i>Movement of Loans/Deposits/Advances</i>	-	-	-	-	-	-	-	-
5.1	<i>Opening Balance</i>	-	20,000,000	-	-	-	-	-	-
	A) Bhakra Investments (P) Ltd	-	20,000,000	-	-	-	-	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	3,394,410	-	-	-
5.2	<i>Given during the year</i>	-	-	-	-	-	-	-	-
5.3	<i>Accepted during the year</i>	-	7,500,000	-	-	-	-	-	-
	A) Srinidhi Cottons (P) Ltd	-	7,500,000	-	-	-	-	-	-
	B) Bhakra Investments (P) Ltd	-	-	-	-	20,000,000	-	-	-

(Contd...)

Sl. No.	Particulars	Current Year				Previous Year			
		Subsidiaries	Associates	Key Management Personnel	Relatives	Subsidiaries	Associates	Key Management Personnel	Relatives
5.4	<i>Paid during the year</i>								
	A) Bhakra Investments (P) Ltd	-	20,000,000	-	-	-	-	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	-	-	-	-
	C) Srinidhi Cottons (P) Ltd	-	7,500,000	-	-	-	-	-	-
5.5	<i>Received back during the year</i>								
5.6	<i>Closing Balance</i>								
	A) Bhakra Investments (P) Ltd	-	-	-	-	20,000,000	-	-	-
	B) Shilpa Finvest (P) Ltd	-	-	-	-	3,394,410	-	-	-
6.	<i>Other Outstandings</i>								
6.1	<i>Payables</i>								
	A) Vishnukanth C. Bhutada	-	-	554,000	-	-	-	-	-
7.	<i>Maximum balance outstanding during the year</i>								
	A) Bhakra Investments (P) Ltd	-	20,030,429	-	-	-	2,00,00,000	-	-
	B) Shilpa Finvest (P) Ltd	-	3,394,410	-	-	-	3,394,410	-	-

6. All other notes to accounts are as appearing in the notes to accounts of the Parent Company.



**CONSOLIDATED SEGMENT REPORTING:**

The Company has two reportable segments viz., Bulk Drugs, Intermediates and Power. The financial Information about these business segments is presented as under:

Amount in Lakhs.

<b>PARTICULARS</b>	<b>Current year</b>
<b>SEGMENT REVENUE</b>	
Bulk Drugs and Intermediates	1,64,00.13
Power	2,43.09
<b>TOTAL</b>	<b>1,66,43.22</b>
<b>SEGMENT RESULTS</b>	
Profit before Interest and Tax:	
Bulk Drugs and Intermediates	1,309.67
Power	23.11
<b>SUB -TOTAL</b>	<b>1,332.78</b>
Less: Interest	5,76.75
<b>PROFIT BEFORE TAX</b>	<b>7,56.03</b>
<b>CAPITAL EMPLOYED</b> (Segment Assets - Segment Liabilities)	
Bulk Drugs and Intermediates	1,63,55.66
Power	1,176.17
<b>TOTAL</b>	<b>1,75,31.83</b>

## FINANCIAL INFORMATION RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2009

Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments in**			Turnover/ Revenue	Profit/(Loss) before Taxes	Provision for taxation	Profit/(Loss) after taxation	Dividend
					Government Securities	Mutal Fund/ Insurance Companies						
Raichem Lifesciences Private Limited	1.00	-	55.23	55.23	0.05	-	-	-	-	-	-	-
Zatortia Holdings Limited	1.15	6.39	1,796.11	1,796.11	-	-	23.54	15.50	-	-	15.50	3.29
Loba Feinchemie GMBH	483.83	57.47	3,486.44	3,486.44	-	166.61	3,116.02	(877.06)	(0.11)	(876.94)	23.44	

(Rs. in Lakhs)

Exchange rate as on 31-03-2009 = 1 Euro = INR 67.48

\*\* excluding investment in subsidiaries

### Notes:

The Ministry of Company Affairs Government of India vide its order No 47 / 537 / 2009-CL-111 dated 26-06-2009 has exempted the Company from attaching documents of its subsidiaries required to be attached under section 212 (1) of the Companies Act, 1956 for the year ended 31-03-2009. Annual accounts of the Subsidiary Companies with related details will be made available to the investors of the Company and the Subsidiaries of the Company seeking such information at any point of time. Annual accounts of the subsidiary Companies are available for inspection by any investor at the registered office of the Company and the concerned subsidiary of the Company.



# Shilpa Medicare Limited

Registered Office: 10/80, 1st Floor, Rajendra Gunj, Raichur 584 102 (Karnataka)

## PROXY

Regd.Folio No. :

No. of Shares Held :

Client ID No. :

I / We.....of  
.....in the district hereby  
appoint.....of  
.....or failing him.....of  
.....as my / our proxy in my / our absence to attend and vote for me /  
us, and on my / our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company at Hotel Nrupatunga,  
Ambedkar Circle, Station Road, Raichur - 584 101, Karnataka on Wednesday, the 30th Day of September,  
2009 at 11.00 a.m.

As WITNESS my / our hand/ hands this.....day of.....2009

Signed by the said.....

Signature  
(on Re.1  
Revenue  
Stamp)

- Note: 1. The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.  
2. Please bring your copy of this Annual Report for the Meeting.



# Shilpa Medicare Limited

Registered Office: 10/80, 1st Floor, Rajendra Gunj, Raichur 584 102 (Karnataka)

## ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)

### ANNUAL GENERAL MEETING ON WEDNESDAY, 30TH SEPTEMBER, 2009

Regd.Folio No. :

No. of Shares Held :

Client ID No. :

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the Company being held on Wednesday, 30th September, 2009 at 11.00 a.m. at Hotel Nrupatunga, Ambedkar Circle, Station Road, Raichur - 584 101, Karnataka.

.....  
Name of the Shareholder / Proxy

.....  
Signature of Member / Proxy

Note: Member are requested to bring their copies of Annual Report to the meeting.

