

CARE Due Diligence Services



Due Diligence Report

Name of the Entity	Sakar Healthcare Limited
Location	Plot No. 10/13, Nr M.N. Desai Petrol Pump, Sarkhej Bawla Highway, Changodar, Ahmedabad – 382 213
Operational Status	Operational
Report Date	January 22, 2016 (revised)

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Key Strengths

- ✓ *Experienced promoters and management in the pharmaceutical industry*
- ✓ *Demonstrated financial support from the promoters*
- ✓ *Established track record of business operation*
- ✓ *Diversified product portfolio and revenue mix*
- ✓ *Reputed client base in the contract manufacturing segment*
- ✓ *Comfortable capital structure and moderate debt coverage indicators*

Key weaknesses

- ✗ *Moderately low utilization of capacities*
- ✗ *Working capital intensive nature of operation*
- ✗ *Susceptibility of margins to moderate volatility in the raw material prices*
- ✗ *Presence in the highly regulated and competitive industry*

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2010, audited by M/s Shah & Dalal and signed by Mr. Malay Dalal dated September 1, 2010.*
 - *Audited financials for the financial year ending March 31, 2011, audited by M/s Shah & Dalal and signed by Mr. Malay Dalal dated September 1, 2011.*
 - *Audited financials for the financial year ending March 31, 2012, audited by M/s Shah & Dalal and signed by Mr. Malay Dalal dated September 3, 2012.*
 - *Unaudited financials for the financial year ending March 31, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s A.L. Thakkar & Co. and signed by Mr. Sanjiv Shah dated September 1, 2014.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s A.L. Thakkar & Co. and signed by Mr. Sanjiv Shah dated August 23, 2015.*
 - *Unaudited financial for the period (6 months) ending September 30, 2015*

DRHP consist of financials till September 30, 2015, thus CARE has also considered financials till only September 30, 2015.

- *As a part of due diligence exercise for NSE, CARE also*
 - *Reviews financials submitted by the company with Ministry of Corporate Affairs.*
 - *Undertakes Site visit and management discussion*
 - *Due Diligence with lenders and auditors*
 - *Due Diligence with customers and suppliers*
- *However please note that*
 - *Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.*
 - *CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.*

BRIEF SNAPSHOT OF ENTITY

Name	Sakar Healthcare Limited
Year of Incorporation	March 26, 2004
Constitution	Public limited company
Nature of Business	Manufacturing of pharmaceutical products
Enterprise category	Manufacturing
Industry	Pharmaceuticals
Products Manufactured	Oral liquids, B-Lactum tablets/ capsules/ dry syrup/ sachet, liquid injectables (ampoules/ vials) and dry powder injectables Cephalosporins
Registered Office	Plot No. 10/13, Nr M.N. Desai Petrol Pump, Sarkhej Bawla Highway, Changodar, Ahmedabad – 382 213
Location of Plant	Plot No. 10/13, Nr M.N. Desai Petrol Pump, Sarkhej Bawla Highway, Changodar, Ahmedabad – 382 213
Key Promoter name	Mr Sanjay S Shah, Managing Director
Key regulatory approvals, certifications and membership	<ul style="list-style-type: none"> ▪ Certified by World Health Organization – Good Manufacturing Practices (WHO-GMP) ▪ License from Food & Drugs Control Administration (FDCA), Gujarat ▪ Product registrations from Uganda, Kenya, Yemen, Ethiopia, Congo, Ghana, MCAZ (Zimbabwe), Namibia, Nigeria & Cote D'Ivoire. ▪ ISO 9001:2008 (BVQI) ▪ Membership of Indian Drug Manufacturers' Association
Name of the Auditor	M/s A. L. Thakkar & Co, Ahmedabad
Major Existing Bankers	State Bank of India, Law Garden Branch, Ahmedabad
Total number of employees	241
Total income for latest year	Rs. 3505.27 lakh in FY15 Rs. 1937.19 lakh in 6MFY15
Wilful defaulter as per CIBIL	No as on March 31, 2015
Litigations	As per letter of undertaking dated July 2, 2015

BACKGROUND

Sakar Healthcare Ltd (SHL, erstwhile Sakar Healthcare Pvt Ltd was incorporated in March 2004 and converted into a public limited company in March 2015) is engaged in manufacturing of pharmaceutical formulations [viz. oral liquids, B-Lactum tablets/ capsules/ dry syrup/ sachet, liquid injectables (ampoules/ vials) and dry powder injectables Cephalosporins]

SHL derives revenue from two major segments viz. direct sales [forming around 62.53% of its revenue in FY14 (refers to the period April 1 to March 31)] and contract manufacturing of formulations for leading pharmaceutical companies based in India [including Cadila Healthcare Ltd, Merck Ltd, Torrent Pharmaceuticals Ltd, Intas Pharmaceuticals Ltd (CARE AA+/ CARE A1+), Ipca Laboratories Ltd, and Claris Injectables Ltd] accounting for the rest of the revenue.

Amongst the direct sales the company sells its products in the domestic (mainly to deemed exporters, forming 55.26% of overall sales in FY14) and exports market (to countries like Nigeria, Ethiopia and other African countries, forming 7.27% of overall sales in FY14).

SHL has its manufacturing facility located at Changodar in Ahmedabad (Gujarat) having four units spread across total area of 10,022 square meters. The unit is certified by ISO 9001:2008 (BVQI) and World Health Organization – Good Manufacturing Practices (WHO-GMP).

SHL has filed applications for 142 product registrations and out of which it has obtained 123 product registrations [from national drugs authority of various countries such as Uganda, Kenya, Yemen, Ethiopia, Congo, Ghana, MCAZ (Zimbabwe), Namibia, Nigeria & Cote D'Ivoire] as on December 31, 2014. In addition, as on December 31, 2014 SHL's has a diverse portfolio of product registration consisting of drugs across various therapeutics viz. antibiotics (58 registrations), analgesics (10), anti-histamines (6), anthelmintic (5) and anti-malarial (5) and 39 drugs belonging to various other therapeutic segments.

During FY14, the total operating income (TOI) of SHL stood at Rs.2,971.03 lakh (compared to Rs.2,197.07 lakh in FY13) while net profit of the entity stood at Rs.116.53 lakh in FY14 (compared to Rs.102.71 lakh FY13). Furthermore during 9MFY15, the company has posted TOI of Rs.2,684.66 lakh and net profit of Rs.145.87 lakh.

SHL has two other non- operational group companies as detailed below -

(Rs Lakh)

Name of the group entities	Bisil Plast Limited (BPL)			Sanjay Corporation Limited (SCL)		
Date of establishment	September 25, 1986			April 21, 1999		
Registered office	Oaks Commercial Complex, 406, Opp. Arun Society, Paldi, Ahmedabad – 380 007, Gujarat			406/A, Silver Oaks Commercial Complex, Opp. Arun Society, Paldi, Ahmedabad – 380 007, Gujarat		
Nature of business	Dealers, distributors and merchants of mineral water, plastic bottles, jars and containers and other plastic goods, articles or things capable of being manufactured from all types of plastic materials as well as of injection moulded caps, closures, sealants, bottles, vials and other industrial and household articles etc.			Manufacturing, selling and supply of mineral water bottles, jars and other businesses related to it.		
Note	At present no business is being undertaken by BPL			Presently, no business is being undertaken by SCL		
Financial Year	FY12	FY13	FY 14	FY12	FY13	FY 14
Total Income	NIL	NIL	NIL	NIL	NIL	NIL
Net Profit	(132.53)	(31.03)	(8.76)	(104.14)	(0.35)	(0.46)
Net worth	141.96	110.94	102.18	(150.28)	(150.62)	(151.08)
Total Debt	74.82	Nil	Nil	179.02	134.63	134.63

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of key promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with the company	Details of past experience	Responsibilities handled
Mr. Sanjay S. Shah	55	Managing Director	MBA, also qualified in plastic technology	More than a decade	11	Mineral water bottle manufacturing and plastic industry	Overall management including production, sales, marketing, and finance
Mrs. Rita S. Shah	50	Executive Director	B.Sc.	11	11	Only with this company	Daily administrative operations, procurement, production and quality control
Mr Aarsh S. Shah	24	Joint Managing Director	B.Pharm, MBA	3	3	Only with this company	Production, sales, marketing, and business development

Comments:

- The management of SHL rests in the hands of its key promoters Mr Sanjay Shah, Ms Rita Shah and Mr Aarsh Shah.
- Mr Sanjay Shah, is an MBA and qualified in plastic technology; has more than a decade of experience in pharmaceutical manufacturing, mineral water bottling and plastic industry. He manages the entire business affairs of SHL including production, sales, marketing and finance functions. He is involved in in planning and formulating the business strategies and developing business relations for the company. Erstwhile Mr. Sanjay Shah had also promoted Bisil Plast Ltd (engaged in the manufacturing of mineral water bottles for Bisleri since 1986).
- Ms Rita Shah (wife of Mr. Sanjay Shah), is a science graduate and has more than a decade of industry experience. She manages the day to day administrative operations of SHL and assists Mr. Sanjay Shah in the procurement of materials, production and quality control of products.
- Mr. Aarsh Shah (son of Mr. Sanjay Shah), is a Pharmacist and an MBA by qualification. He lends his professional expertise as a Pharmacist in the company and is actively involved in production, sales, marketing and business development functions of the company.
- The major decisions are taken by the promoters. However, in the past few years, the company has recruited various personnel in its second line of management having relevant experience in the industry to assist the promoters.

Details of key management personnel

Name	Age	Designation	Educational qualification	Approx. total years of experience	Date of Appointment / Years of association with SHL	Responsibilities handled
Mr Sandip Modi	30	General Manager (Human Resources)	B.Com, Diploma in Human Resources (HR)	10	December 01, 2014	Overall HR functions including recruitment, induction, compensation, org. development, employee orientation, training, employee welfare, etc
Mr Neeraj Verma	53	Executive Director (Sales & marketing)	B.Sc. (Chemistry)	30	November 19, 2012	Overall marketing functions including sales, distribution network, liasoning for product registrations, regulatory compliance (related to products), businesses tie ups, etc
Mr M. R. Patel	30	Head-Quality Assurance	B.Sc. (Chemistry)	20	NF	Overall quality control aspects including quality procedures, quality systems, supervision of activities for quality assurance and quality control department
Mr Prakash Kalwani	33	Deputy General Manager-Quality Assurance	M.Sc. (Chemistry)	8	NF	Planning & execution of validation and qualification activity, preparing protocol and report for equipment, machine media fill, etc, preparing the validation master plan, planning and execution for HVAC system with third party
Mr Navin Patel	28	Senior Executive-Regulatory Affairs	M. Tech Pharma	4	NF	Preparation & compilation of dossier in various formats, responding to queries from Drug Regulatory Authority, etc
Mr Paresh Sukhadia	39	Senior Accounts Manager	B.Com	20	NF	Supervising and monitoring timely payment of various statutory payments & returns
Mr Bikramjit Ghosh	42	Vice-President (Strategy & Business Development)	B. Pharm	20	April 01, 2015	Development and building of new business segments, strategic decisions, ensuring meeting of set objectives, systematic planning and customization
Mr Dhaval Parikh	33	Manager-International Marketing	B.Com	9	NF	Developing new businesses in South East Asia, servicing the existing clients, etc
Mr Krunal Pandya	30	Manager-Marketing	M. Pharm.	6	NF	Developing new businesses in Latin America, servicing the existing clients, etc
Mr Johnny George Kudilil	54	Chief Financial Officer	M.Com	28	Since 20 years	Supervision of overall accounting & finance matters, verification of accounting vouchers and purchase order related documents
Mr. Rameshkumar K. Patel	51	General Manager (Operations)	B. Sc (Chemistry)	20	November 23, 2014	Overall product operations at the manufacturing facility including planning, order execution, order completion with qualitative norms, timely completion of orders, etc
Mr. Kaushik Mistry	44	General Manager (Technical)	B. Sc (Chemistry)	20	November 22, 2012	Overall maintenance and utility aspects with respect of engineering

Name	Age	Designation	Educational qualification	Approx. total years of experience	Date of Appointment / Years of association with SHL	Responsibilities handled
		Engineering)				
Ms. Pratixa S. Seju	NF	Company Secretary and Compliance Officer	Company Secretary	NF	December 28, 2015	Overall compliance matters

NF- Not furnished; NA- Not available

Comment:

- The second line of management consists of various recently appointed key personnel with relevant education qualification and experience in the industry, with majority of them having more than a decade of experience in their respective fields.

Details of the board of directors

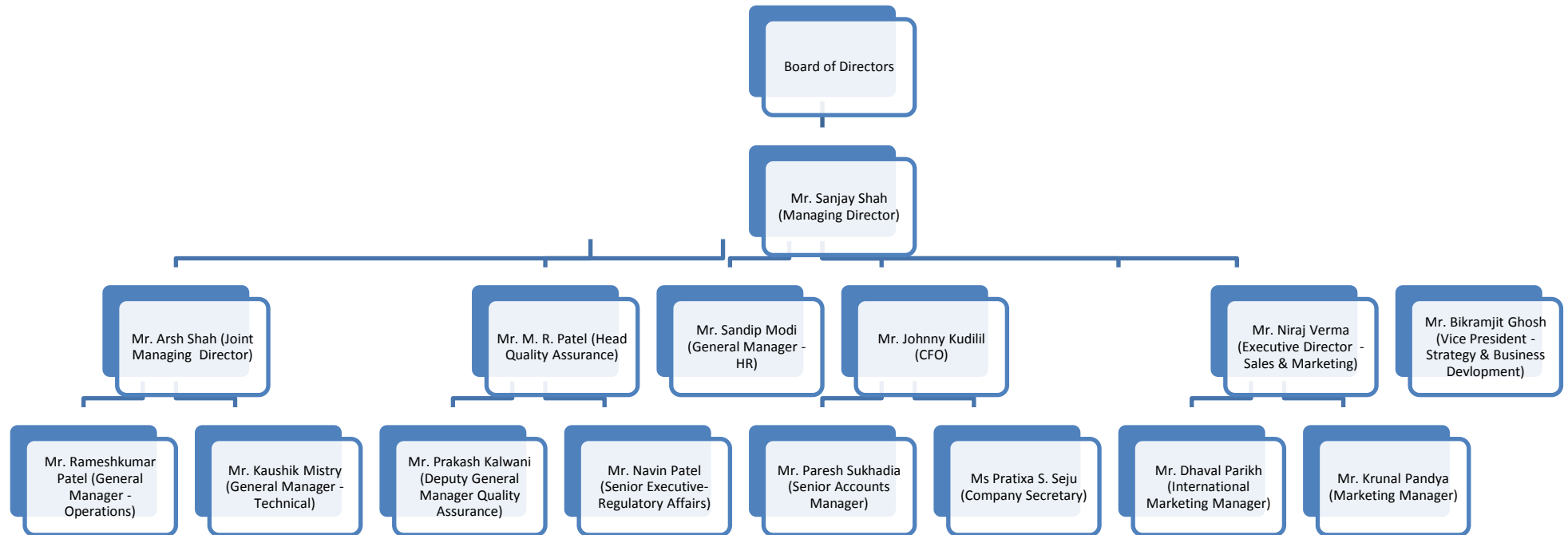
Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
Mr Sanjay S. Shah	55	Executive Director	MBA, Diploma in plastic technology holder	Over a decade	March 26, 2004	He was associated with Bisil Plast Ltd, manufacturer of mineral water bottles since 1986	Bisil Plast Ltd and Sanjay Corporation Ltd
Ms Rita S. Shah	50	Executive Director	B.Sc.	10	March 26, 2004	Only with this company	Bisil Plast Ltd and Sanjay Corporation Ltd
Mr Aarsh S. Shah	24	Executive Director	B. Pharm, MBA	3	June 1, 2012	Only with this company	-
Mr Prashant C. Srivastav	36	Independent and non-executive director	CA, CS	10	April 01, 2015	He has more than a decade of experience in varied industry segments ranging from manufacturing to trading and services sector. He is also a partner with M/s Prashant Srivastav & Associates.	Flatrox Technosolutions (India) Private Limited
Mr Shailesh B. Patel	54	Independent and non-executive director	B.E	25	April 01, 2015	He has more than 25 years of experience with Elacmach Group. He has experience in handling existing and new clients, meeting specifications and developing new businesses.	-
Mr. Hardik Mehta	27	Independent and non-executive director	Bachelor's degree in Law	5	October 10, 2015	He has been practicing law and corporate consultant since last 5 years.	-

NF- Not furnished; NA- Not available

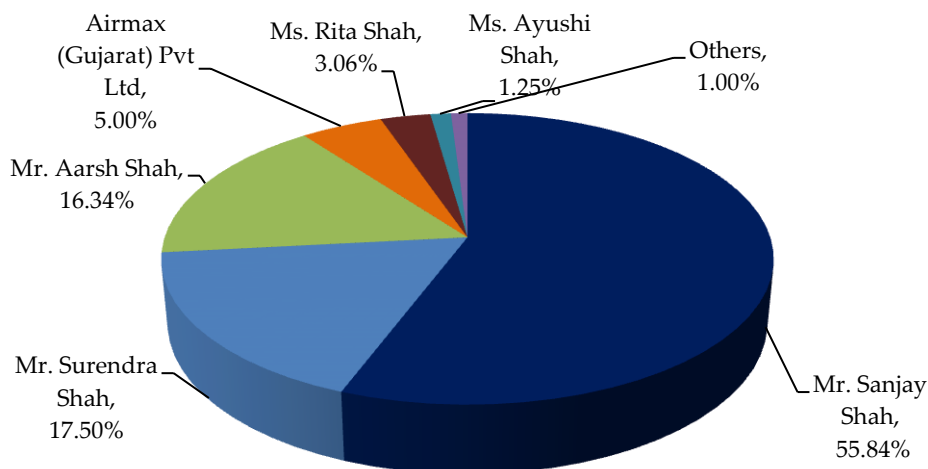
Comments:

- SHL has three executive and non-independent directors (promoters) and three non-executive independent directors on the board.
- The three executive directors are related to each other. Mrs Rita S Shah is wife of Mr Sanjay Shah and Mr Aarsh Shah is son of Mr Sanjay Shah and Mrs Rita Shah.
- The average industry experience of all the directors is more than a decade in finance, marketing and pharmacy field. However, the independent non-executive directors have been associated with the company for less than a year.

Organization Structure



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE



Share holding pattern as on April 30, 2015

Name of share holder	No. of equity shares held	Share in business (%)
Mr Sanjay Shah	44,67,500	55.84
Mr Surendra Shah	14,00,000	17.50
Mr Aarsh Shah	13,07,500	16.34
M/s Airmax (Gujarat) Pvt Ltd	4,00,000	5.00
Ms Rita Shah	2,45,000	3.06
Ms Ayushi Shah	1,00,000	1.25
Others	80,000	1.00
Total	8,000,000	100

Comment:

- The Shah family collectively holds 94% stake in SHL; while Airmax (Gujarat) Pvt Ltd based in Ahmedabad, Gujarat holds 5% stake as on April 30, 2015.

Employee Profile

Particulars	Nos.
Skilled Employees	182
Semi-Skilled Employees	37
Unskilled Employees	22
Total Employees	241

As on June 25, 2015

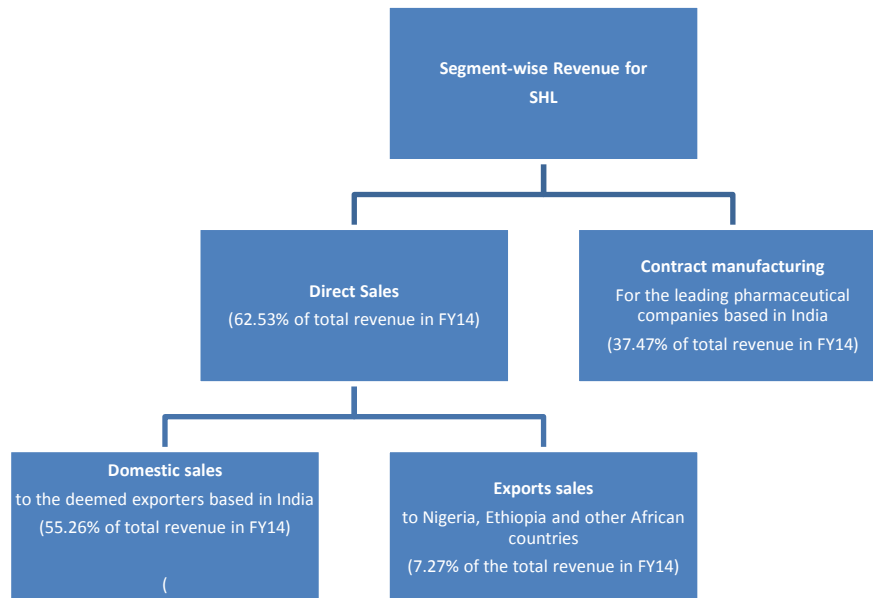
Comments:

- The major decisions are taken by the promoters. However, in the past few years, the company has recruited various personnel in its second line of management having relevant experience in the industry to assist the promoters.
- The level of professionalization seems to be good and they have healthy number of skilled employees for the organization.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

SHL is engaged in manufacturing of pharmaceutical formulations and operates in three business segments viz. domestic direct sales, exports direct sales and contract manufacturing.



The direct sales formed the majority of SHL’s revenue in FY14, while contract manufacturing of formulations for leading pharmaceutical companies based in India [including Cadila Healthcare Ltd, Merck Ltd, Torrent Pharmaceuticals Ltd, Intas Pharmaceuticals Ltd (CARE AA+/ CARE A1+), Ipca Laboratories Ltd, and Claris Injectables Ltd] accounted for the rest. Amongst the direct sales the company sells its products in the domestic (mainly to deemed exporters, forming 55.26% of overall sales in FY14) and exports market (including Nigeria, Ethiopia and other African countries, forming 7.27% of overall sales in FY14)

The company benefits due to its established relationship with leading pharmaceutical industry players along with increasing product registration filed by the company which stood at 142, of which SHL has obtained 123 product registrations [from national drugs authority of various countries such as Uganda, Kenya, Yemen, Ethiopia, Congo, Ghana, MCAZ (Zimbabwe), Namibia, Nigeria & Cote D'Ivoire] as on December 31, 2014. Moreover, the company further derives strength, as the product registration consists of drugs across diverse therapeutic segments viz. antibiotics (58 registrations), analgesics (10), anti-histamines (6), anthelmintic (5) and anti-malarial (5) and 39 drugs belonging to various other therapeutic segments.

OPERATIONS OVERVIEW

Nature of activity	Manufacturing of pharmaceutical products
Industry segment	Pharmaceuticals
Products Offered	Oral liquids, B-Lactum tablets/ capsules/ dry syrup/ sachet, liquid injectables ampoules/ vials and dry powder injectables Cephalosporins
Plant location	Plot No.10/13, Sarkhej – Bavla Road, Nr. M. N. Desai Petrol Pump, Changodar, Ahmedabad – 382214, Gujarat
Area of the Plant	10,022 sq. meter
Ownership of Plant	Owned
Location advantage	Yes
Marketing Setup	Yes

Comments:

- SHL has its manufacturing facility located at Changodar in Ahmedabad (Gujarat) having four units spread across total area of 10,022 square meters, certified by ISO 9001:2008 (BVQI) and World Health Organization – Good Manufacturing Practices (WHO-GMP).
- SHL is engaged in manufacturing of various pharmaceutical formulations (viz. oral liquids, B-Lactum tablets/ capsules/ dry syrup/ sachet, liquid injectables (ampoules/ vials) and dry powder injectables Cephalosporins).
- SHL has location advantage in terms of proximity to the leading pharmaceutical companies based in Gujarat which are the major clients for the contract manufacturing segment which include names such as Cadila Healthcare Ltd, Torrent Pharmaceuticals Ltd, Intas Pharmaceuticals Ltd and Claris Injectables Ltd.
- The company also benefits from being located close to the ports for exports.
- SHL markets its products to various countries through supply, distribution and other arrangements with dealers and distributors. As on December 31, 2014; the company has around 35 distributors in various countries (including 20 emerging countries of Africa, Latin America, South East Asia and Middle East).
- SHL’s contract manufacturing segment thrives on the established relationship developed by the promoter director Mr. Sanjay Shah with various reputed pharma players over the years. Moreover, the same has helped the company as segment has provided the necessary cushion to leverage further and thrive with minimal marketing efforts.
- SHL is focused on increasing number of product registration and setting up distributorship in non-regulated and semi-regulated markets in order to expand its exports sales. The company is in the process of getting European Union EU- GMP which will further augment the growth of the exports segment.

Segment wise revenue analysis
(Rs. in lakh)

Particulars	FY10	FY11	FY12	FY13	FY14	CAGR (%) (FY10-14)	9MFY15
I. Revenue from contract manufacturing	542.75	762.76	818.46	838.29	1,112.30	19.65	706.23
% y-o-y growth	NA	40.54	7.30	2.42	32.69	-	-
% contribution to total revenue	34.24	37.89	50.55	38.27	37.47	-	26.32
II. Revenue from direct sales	1,042.30	1,250.00	800.7	1,352.40	1,855.90	15.52	1,976.60
% y-o-y growth	NA	19.93	-35.94	68.90	37.23	-	-
% contribution to total revenue	65.76	62.10	49.45	61.73	62.53	-	73.68
IIA. Domestic direct sales	994.36	1,233.90	372.22	1,318.40	1,640.20	13.33	1,590.60
% y-o-y growth	NA	24.10	-69.80	254.20	24.40	-	-
% contribution to total revenue	62.73	61.30	22.99	60.18	55.26	-	59.29
IIB. Export direct sales	47.95	16.14	428.48	33.99	216.09	45.70	385.95
% y-o-y growth	NA	-66.34	2554.77	-92.07	535.75	-	-
% contribution to total revenue	3.03	0.80	26.46	1.55	7.27	-	14.39
Total Revenue (A+B)	1,585.06	2,012.84	1,619.16	2,190.71	2,968.64	16.98	2,682.86
% y-o-y growth	-13.70	26.99	-19.56	35.30	35.51	-	-

Comments:

- Direct domestic sales (to the deemed exporters) is the largest revenue contributing segment (with around 55.26% share in FY14), followed by contract manufacturing (about 37.47%) and exports direct sales (about 7.28%).
- All the three segments witnessed double digit CAGR growth during FY2010-14, with the increase in product portfolio (on the back of rising number of product registrations), and expansion of client base. Direct exports sales (to Nigeria, Ethiopia and other African countries) registered the fastest CAGR (around 45.7%) during FY2010-14 albeit on smaller base. The same was followed by contract manufacturing (about 19.65%) and direct domestic sales (around 13.33%).
- SHL commenced exports of its products in the year 2007 and have achieved sales of Rs.385.95 lakh during 9MFY15. FY12, was an exceptional year, as direct exports sales grew significantly (from Rs.16.14 lakh in FY11 to Rs. 428.48 lakh in FY12) on the back of execution of export orders having higher realizations received from Ghana. Nevertheless the exports sales got rationalized in the subsequent years.
- Direct domestic sales (to the deemed exporters) declined by 69.80% y-o-y (from Rs.1,233.90 lakh in FY11 to Rs.372.22 lakh in FY12) on account of deterioration in demand from the

deemed exporters, which has remarkably recovered back in the subsequent years and stood healthy at Rs.1,590.60 lakh in 9MFY15.

Details of contracts for contract manufacturing

SHL undertakes contract manufacturing for the leading pharmaceutical companies operating in India (including Cadila Healthcare Ltd, Merck Ltd, Torrent Pharmaceuticals Ltd, Intas Pharmaceuticals Ltd, Ipca Laboratories Ltd and Claris Injectables Ltd), as per the terms of the agreements entered into with these clients, the details of which have been mentioned below.

Name of client	Type of agreement	Contract date	Expiry/ tenure of the contract	Raw material arrangement
Cadila Healthcare Ltd (CHL)	Loan license agreement	August 25, 2011	Renewed on August 24, 2014 for 3 years	CHL shall arrange to supply the raw materials and packing materials as required.
Cadila Pharmaceuticals Ltd (CPL)	NF	September 19, 2011	December 31, 2015 (Extended for 2 years from December 31, 2013)	CPL shall arrange to supply the raw materials and packing materials.
Claris Injectables Ltd (CIL)	Loan license agreement	October 01, 2014	Five years (entered on October 01, 2014)	CIL shall provide the specification for the raw materials and packing materials.
Ipca Laboratories Ltd (ILL)	Loan license agreement	February 18, 2011	Two years (the same shall continue automatically thereafter until terminated)	ILL shall supply the raw materials.
USV Ltd (USV)	Loan license agreement	August 22, 2008	10 years (entered on August 22, 2008)	USV shall supply and impart the technical information to analyse, process, formulate and pack.
Torrent Pharmaceuticals Ltd (Torrent)	Job Work Agreement	August 16, 2010	March 31, 2017 (entered on August 16, 2010)	Torrent shall provide necessary raw materials and packing materials for manufacturing and processing of products
Indoco Remedies Ltd (Indoco)	Loan license manufacturing Agreement	August 1, 2012	Three years (entered on August 1, 2012)	Indoco shall provide the formulae, standard manufacturing procedure, input raw material and analytical testing specifications for manufacturing of the products
Merck Ltd (Merck)	Toll manufacturing agreement	January 29, 2013	January 17, 2015 (Under renewal)	Merck shall provide the formulae, standard manufacturing procedure, input raw material and analytical testing specifications for manufacturing of the products

Comments:

- SHL has established relationship with the leading pharmaceutical companies based in India, with which it enters into the long term agreements for contract manufacturing, resulting into assured revenue from the existing clients.
- Furthermore, SHL is an exclusive supplier for certain products it manufactures under the contract manufacturing segment for its clients.
- The risk associated with the raw material inventory holding and price volatility is mitigated for the contracts wherein the clients are required to supply raw material to SHL.
- Under contract manufacturing, the company has a major concentration towards Cadila Healthcare Ltd. (CHL; forming ~50% of the overall contract manufacturing sales in FY14).
- The company has been gradually reducing its concentration on CHL, by focusing on own manufacturing business. In addition, the counter-party risk is mitigated to an extent due to reputed and healthy credit profile of the multi-national pharmaceutical company.

Country-wise revenue analysis

Countries	FY2010		FY2011		FY2012		FY2013		FY2014		9MFY15	
	Rs. in Lakh	% of Revenue	Rs. in Lakh	% of Revenue	Rs. in Lakh	% of Revenue	Rs. in Lakh	% of Revenue	Rs. in Lakh	% of Revenue	Rs. in Lakh	% of Revenue
India	1537.11	96.97	1996.7	99.20	1190.68	73.54	2156.71	98.45	2752.55	92.72	2296.91	85.61
Nigeria	-	-	-	-	-	-	19.37	0.88	114.72	3.85	223.85	8.34
Ethiopia	-	-	-	-	-	-	-	-	45.29	1.53	-	-
France	-	-	-	-	-	-	-	-	-	-	29.33	1.09
Ghana	-	-	-	-	364.21	22.49	-	-	-	-	-	-
Uganda	47.95	3.03	16.14	0.80	-	-	-	-	-	-	-	-
Other African Countries	-	-	-	-	64.27	3.97	14.62	0.67	56.08	1.89	132.77	4.95
Total	1585.06	100	2012.84	100	1619.16	100	2190.70	100	2968.64	100	2682.86	100

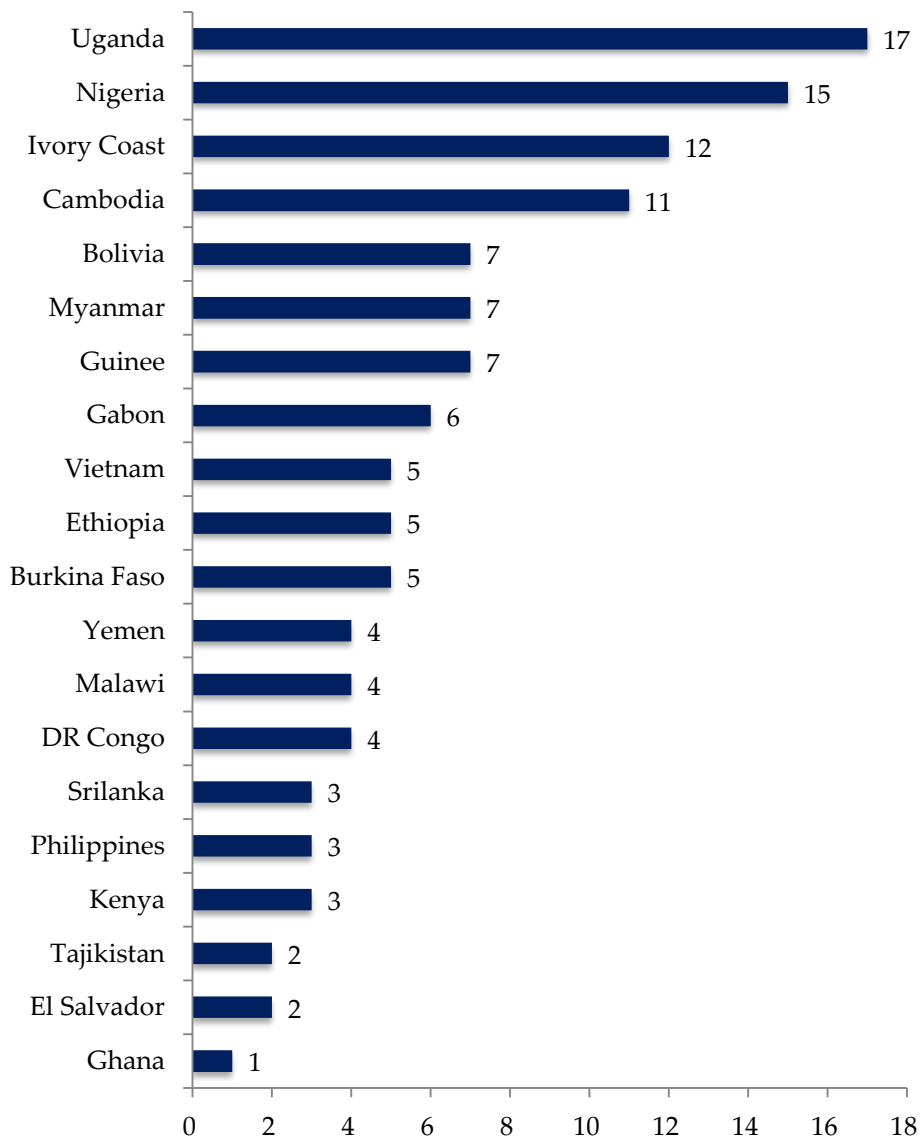
Comments:

- India is the largest revenue contributing country [on the back of increasing contract manufacturing and direct domestic sales (to the deemed exporters) segments], with 92.72% share in total revenue during FY14, followed by Nigeria (3.85%) and Ethiopia (1.53%).
- Thus despite the overall revenue concentration towards India being high, comfort can be drawn as entire own manufacturing sales in the domestic market is towards deemed exporters and remaining is towards leading pharmaceutical companies, which in turn export to various semi-regulated and un-regulated market, thereby reducing the risk of any changing significant regulatory or other change in the regulatory environment.

- The total revenue contribution from exports destinations (from Nigeria in particular) has increased over the years, with the rising number of product registrations. The company has around 15 products registered in Nigeria as on December 31, 2014.

Country-wise product registrations

Country-wise product registrations as on December 31, 2014



Comments:

- SHL has the largest number of product registrations with Uganda (17), followed by Nigeria (15), Ivory Coast (12) and Cambodia (11) as on December 31, 2014.
- The number of product registrations has increased over the years which has enabled the company to enhance its exports sales.
- Despite having the largest number of product registrations with Uganda (17), SHL derives the largest revenue from the exports of products to Nigeria (accounting for 3.85% of the total revenue in FY14).

Product wise business analysis

SHL manufactures oral liquids, B-Lactum (tablets/ capsules/ dry syrup/ sachet), liquid injectables (ampoules/ vials), and dry powder injectables Cephalosporins. The product wise operational details is given as per the below mentioned table.

Parameters	Units	FY12	FY13	FY14	9MFY15	% CAGR (FY12-FY14)
Product wise sales	Rs. in Lakh					
Oral Liquid - Syrups, Suspensions, Elixirs.		399.40	345.55	472.57	359.37	8.77
Tablets / Capsules B-Lactum.		618.99	459.19	1312.72	718.90	45.63
Dry Syrup B-lactum. / Sachet		19.85	112.49	76.37	105.29	96.16
Liquid Injectables (SVP) - Ampoules		234.61	308.71	615.41	584.36	61.96
Liquid Injectables (SVP) - Vials		346.31	615.28	451.01	433.59	14.12
Dry Powder Injection - Cephalosporin.		-	349.48	40.16	481.34	NM
Total		1,619.16	2,190.71	2,968.24	2,682.86	35.40

Comments:

- B-lactum tablets & capsules is the largest selling product segment of SHL in terms of sales value, contributing 44.24% of the total revenue in FY14, followed by liquid injectables (SVP) ampoules (about 20.72%) and oral liquids (around 15.94%)
- Furthermore, B-lactum dry syrup & sachet is the fastest growing product segment in terms of value, with CAGR of 96.16% during FY12-FY14, followed by liquid injectables (SVP) ampoules (~61.96%) and B-lactum tablets & capsules (~45.63%)

Product wise sales volume	Qty. in lakh	FY12	FY13	FY14	9MFY15	% CAGR (FY12-FY14)
Oral Liquid - Syrups, Suspensions, Elixirs.		100.27	86.28	86.39	114.64	-7.18
Tablets / Capsules B-Lactum.		246.78	352.30	266.42	118.28	3.90
Dry Syrup B-lactum. / Sachet		4.80	1.82	3.86	6.23	-10.30
Liquid Injectables (SVP) - Ampoules		312.67	200.10	516.04	424.31	28.47
Liquid Injectables (SVP) - Vials		143.29	229.92	218.66	110.27	23.53
Dry Powder Injection - Cephalosporin.		-	34.06	11.32	26.74	NM

Comment:

- Liquid injectables (SVP) ampoules is the fastest growing product segment in terms of sales volume, with CAGR of 28.47% during FY12-FY14, followed by liquid injectables (SVP) vials (about 23.53%) and B-lactum tablets & capsules (around 3.90%).

Product wise revenue break up	%	FY12	FY13	FY14	9MFY15
Oral Liquid - Syrups, Suspensions, Elixirs.		24.64	15.79	15.94	13.38
Tablets / Capsules B-Lactum.		38.23	20.95	44.24	26.80
Dry Syrup B-lactum. / Sachet		1.24	5.11	2.56	3.91
Liquid Injectibles (SVP) - Ampoules		14.52	14.10	20.72	21.77
Liquid Injectibles (SVP) - Vials		21.37	28.07	15.20	16.18
Dry Powder Injection - Cephalosporin.		-	15.93	1.35	17.93

Product wise price realizations	Rs. per unit	FY12	FY13	FY14	9MFY15
Oral Liquid - Syrups, Suspensions, Elixirs.		3.98	4.01	5.47	3.13
Tablets / Capsules B-Lactum.		2.51	1.30	4.93	6.08
Dry Syrup B-lactum. / Sachet		4.14	61.76	19.79	16.91
Liquid Injectibles (SVP) - Ampoules		0.75	1.54	1.19	1.38
Liquid Injectibles (SVP) - Vials		2.42	2.68	2.06	3.93
Dry Powder Injection - Cephalosporin.		NM	10.26	3.55	18.00

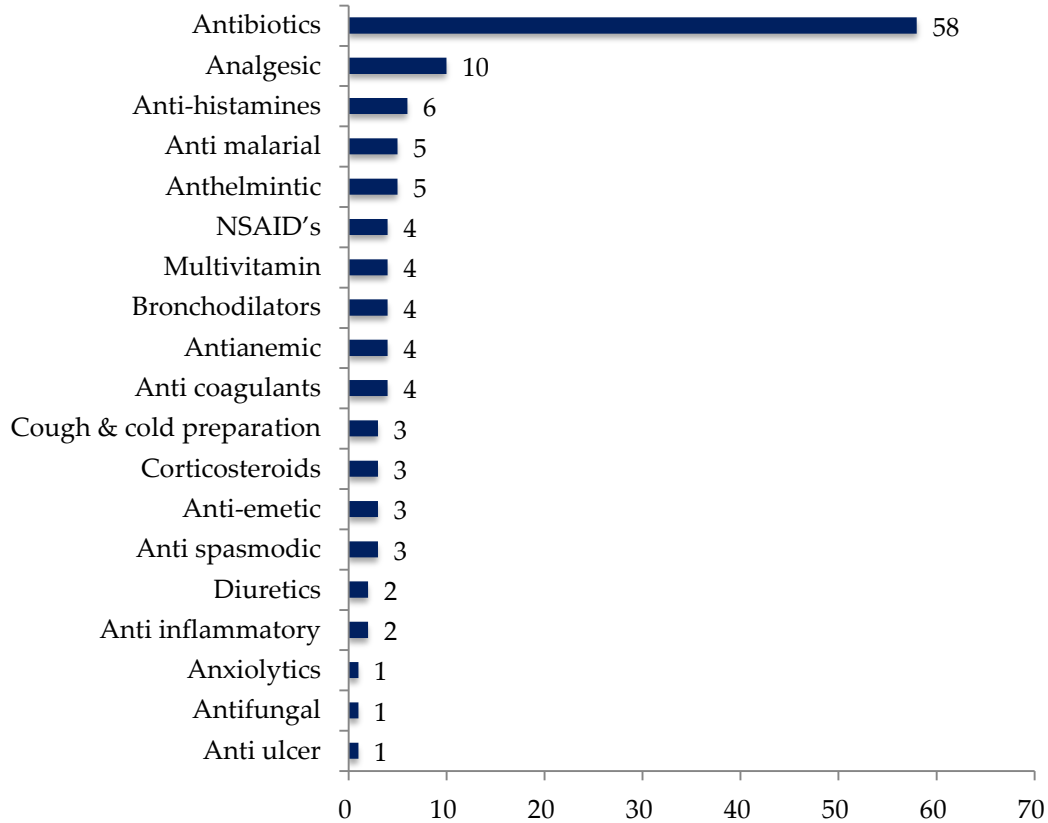
SVP- Small Volume Parenteral; NM- not meaningful

Comments:

- SHL generated the highest price realization from B-lactum dry syrup & sachet segment during FY14 (with around Rs.19.79 per unit), followed by oral liquids (about Rs.5.47 per unit) and B-Lactum tablets / capsules (around Rs.4.93 per unit).
- Product wise realization numbers have remained quite fluctuating over the years as SHL undertakes contract manufacturing orders involving variation in product mix required by the clients.

Product registration

Portfolio of product registrations as on December 31, 2014



Comments:

- SHL has filed applications for 142 product registration and out of which it has obtained 123 product registrations as on December 31, 2014.
- SHL's portfolio of product registration consists of 58 antibiotics, 10 analgesics, 6 anti-histamines, 5 anthelmintics and 5 anti malarial and 39 drugs belonging to various other therapeutic segments as can be seen from the aforementioned table.

PROJECT DETAILS

SHL has planned to set up a Lyophilisation facility to manufacture lyophilized products (injectable) at its existing manufacturing facility at Changodar, Ahmedabad, Gujarat. Lyophilisation, also known as freeze drying, is a process of removing moisture from frozen pharmaceutical products with the help of sublimation, which enhances the product life span and stability. The project detail is mentioned below.

(Rs. In Lakh)

Cost of project	Total estimated cost	Expenses incurred till April 25, 2015	Means of finance	Total estimated funds	Funds infused till April 25, 2015
Setting up new manufacturing line			Gross proceeds from IPO	1,487.70	-
-Imported plant and machinery	986.69	-	Own funds	12.3	8.46
-Indigenous plant and machinery	111.95	-			
-Furniture & Fixtures	10.76	-			
-Building alteration	13.72	-			
New product registration	190.50	-			
EU GMP registration	56.38	-			
General corporate purpose	75.00	-			
Issue expenses	55.00	8.46			
Total	1,500.00	8.46	Total	1500.00	8.46

The total estimated cost of the project is Rs.1,500 lakh, which would be funded by net proceeds of the initial public offer (IPO) of Rs.1,487.70 lakh and remaining through promoter's own funds. SHL has already incurred Rs.8.46 lakh towards IPO expenses through own funds as on April 25, 2015. Tofflon Lyophilizer (lyophilized products manufacturing machine) costing around Rs.986.69 lakh (having capacity of 22,000 vials per day) would be installed under the project which would be imported from the Shanghai Tofflon Science and Technology Company Ltd, based in China.

Furthermore, SHL has proposed to utilize Rs.190.50 lakh towards 15 new products registration in 300 countries, Rs.56.38 lakh towards European Union (EU) Good Manufacturing Practices (GMP) certification and the balance Rs.75 lakh towards the general corporate purposes.

CUSTOMERS & SUPPLIERS ANALYSIS
CUSTOMERS PROFILE

Name of client	Country	Oral liquids		Tablet capsules		Liquid injectibles		Total revenue				Number of years of relationship
		FY13 (Rs. lakh)	FY14 (Rs. lakh)	FY13 (Rs. lakh)	FY14 (Rs. lakh)	FY13 (Rs. lakh)	FY14 (Rs. lakh)	FY13 (Rs. lakh)	% contribution to revenue	FY14 (Rs. lakh)	% contribution to revenue	
Cadila Healthcare Ltd.	India	166.33	198.17	96.35	54.14	360.94	308.25	623.62	28.47	560.56	18.88	10
Merck Ltd.	India	-	-	-	-	15.98	289.75	15.98	0.73	289.75	9.76	3
Celogen Pharma Pvt. Ltd.	India	6.55	-	25.17	36.67	28.98	63.05	60.7	2.77	99.72	3.36	NF
Indoco Ltd.	India	-	-	-	-	49.72	86.68	49.72	2.27	86.68	2.92	4
Aquatic Formulation Ltd.	India	-	-	-	-	-	54.00	-	-	54	1.82	3
Biomedicare (India) Pvt. Ltd.	India	8.84	8.98	-	-	-	-	8.84	0.40	8.98	0.30	NA
Kaiser Export	NF	-	-	27.86	26.49	-	-	27.86	1.27	26.49	0.89	NF
Torrent Pharmaceuticals Ltd.	India	-	-	33.38	24.06	-	-	33.38	1.52	24.06	0.81	5
Next gen Healthcare	NF	12.00	15.34	-	-	-	-	12.00	0.55	15.34	0.52	-
U.S. Vitamins Ltd.	India	5.95	3.16	-	-	-	-	5.95	0.27	3.16	0.11	7
Total		199.67	225.65	182.76	141.36	455.62	801.73	838.05	38.25	1168.74	39.37	-

* NF – Not furnished

Comments:

- SHL has a customer base of more than 45 clients, consisting of the leading pharmaceutical companies operating in India (contract manufacturing sales), deemed exporters (direct domestic sales) and distributors based in the various countries (direct exports sales). The company has network of around 35 distributors based in various countries (including 20 emerging countries of Africa, Latin America, South East Asia and Middle East) as of December 31, 2014.

- SHL has low customer concentration with top ten clients contributing to around 39.37% of the total revenue in FY14 (compared to 38.25% in FY13) thereby reducing its dependence on any single client, the company is able to mitigate the impact of losing a large client on its income generation capabilities.
- Amongst the top 10 clients, the company has a major concentration towards Cadila Healthcare Ltd. Nevertheless, the company has been gradually reducing its concentration, by focusing on own manufacturing business. In addition, the counter-party risk is mitigated to an extent due to reputed and healthy credit profile of the multi-national pharmaceutical company.
- SHL generates the largest portion of its revenue from the top ten clients through sales of liquid injectibles (68.60%) in FY14, followed by oral liquids (19.31%) and sales of tablet & capsules (12.10%)

CUSTOMERS/DEALERS FEEDBACK

Name of Customer	Cadila Healthcare Ltd
Contact person	Mr. Hemar Pandya
Contact details	HemarPandya@zyduscadila.com
Whether Customer is in relation with the promoters?	NF
Since when is the customers dealing with SHL	10 years
Feedback	NF

Name of Customer	Merck Limited India
Contact person	Mr. Rajkumar Amre
Contact details	rajkumar.ambre@merckgroup.com
Whether Customer is in relation with the promoters?	NF
Since when is the customers dealing with SHL	3 years
Feedback	NF

Name of Customer	Celogen Pharma Private Limited
Contact person	Mr. Rabi
Contact details	n.rabi@celogenpharma.com
Whether Customer is in relation with the promoters?	NF
Since when is the customers dealing with SHL	NF
Feedback	NF

Name of Customer	Indoco Limited
Contact person	Mr. Atul Patel
Contact details	atulp@indoco.com
Whether Customer is in relation with the promoters?	NF
Since when is the customers dealing with SHL	4 years
Feedback	NF

Supplier name	As % of purchases in FY14	Country	Key Raw Materials
Vijay Pet	7.63	India	PET Bottles
Global Pharma	3.54	India	API
Nectar Lifesciences Ltd	3.44	India	API
Vaishali Agencies Pvt. Ltd.	2.52	India	API
Hary Pack Pharma Pvt Ltd	1.97	India	NF
Suren Healthcare	1.85	India	NF
Pharma Supply Agency	1.81	India	NF
Shree Parikh Trading	0.32	India	NF
Ambica Corporation	0.03	India	NF

Comments:

- SHL procures raw material (mainly APIs, excipients, and packaging material) from the suppliers based in the domestic market,
- The company has low supplier concentration with top nine suppliers contributing to 23.10% of the total purchase in FY14.

BUSINESS ACTIVITY DETAILS

Key Raw materials	Mainly active pharmaceutical ingredients (APIs), excipients, and packaging material
Level of Raw Material Price fluctuation risk	Moderate
Quality Certifications	Certified by World Health Organization – Good Manufacturing Practices (WHO-GMP) and ISO 9001:2008 (BVQI)
Level of value addition	High

SUPPLY SIDE ANALYSIS

Average Creditor Days	8 days
Raw Material Availability	Adequate
Import as a % of RM Purchase	Nil

Comment:

- The raw materials (mainly APIs and excipients) are adequately available in the domestic market. Furthermore the raw material prices are moderately fluctuating in nature hence SHL's profitability remains susceptible to the rise in raw material prices (except for execution of contract manufacturing orders, wherein the client is required to supply the raw materials to SHL). However the risk is mitigated to an extent, on the back of established relationship with the suppliers.

SUPPLIER FEEDBACK

Name of supplier	Vijay Pet
Contact person	Mr Bhikhabhai Patel
Contact details	vijaypet@gmail.com
Whether supplier is in relation with the Promoters?	NF
Since when is the supplier dealing with SHL	NF
Feedback	NF

Name of supplier	Nectar Lifesciences Ltd
Contact person	Mr Virendra Bandi
Contact details	bandiindore@gmail.com
Whether supplier is in relation with the Promoters?	No
Since when is the supplier dealing with SHL	Since last 7-8 years
Feedback	Satisfactory

Name of supplier	Aquatic Remedies Pvt. Ltd
Contact person	Mr Kirti Mehta
Contact details	aquaticremedies@msn.com
Whether supplier is in relation with the Promoters?	NF
Since when is the supplier dealing with SHL	NF
Feedback	NF

Name of supplier	Global Pharma
Contact person	Mr Lomesh Shah
Contact details	biz@globalpharma.in
Whether supplier is in relation with the Promoters?	NF
Since when is the supplier dealing with SHL	NF
Feedback	NF

Name of supplier	Vaishali Agencies Pvt Ltd
Contact person	Mr Jainish Shah
Contact details	biz@globalpharma.in
Whether supplier is in relation with the Promoters?	No
Since when is the supplier dealing with SHL	More than 10 years
Feedback	Satisfactory

INDUSTRY ANALYSIS

Name of the industry	Manufacturing of pharmaceutical products
Product portfolio	Oral liquids, B-Lactum tablets/ capsules/ dry syrup/ sachet, liquid injectables ampoules/ vials and dry powder injectables Cephalosporins
Overall Industry risk	Moderate
Level of competition	High

INDUSTRY WRITE-UP:

Indian Pharmaceutical Industry (IPI) is the 3rd largest in terms of volume and 13th largest in terms of value, and accounts for around 10% of the global pharma market by volume and about 2% by value. Its lower market share in terms of value can be attributed to the lower prices of the drugs sold in the country. India has emerged as one of the major outsourcing destinations for the countries like US and UK, driven by low cost labour availability and raw material sourcing. IPI consists of the below mentioned segments:

- 1) **Active Pharmaceutical Ingredients (APIs)/ Bulk drugs:** India is one of the leading bulk drugs suppliers, producing more than 500 different APIs supported by low manufacturing cost advantage, and maximum number of USFDA approved manufacturing plants outside US.
- 2) **Formulations:** India’s manufacturing prowess in formulations is validated by the fact that it manufactures more than 60,000 formulations across almost all the therapies.
- 3) **Contract Research and Manufacturing Services (CRAMS):** India is a leading center for Contract Manufacturing Outsourcing (CMO) and Contract Research Outsourcing (CRO), with CMO in Indian growing almost three times faster compared to the global CMO market.

Market Size & Segmental Analysis

The market size of the IPI industry stood at around Rs.1,59,705 crore during FY14, grew at a CAGR of 12.32% during FY2009-14. The industry comprises of the domestic consumption market (domestic market and imports market) (accounting for about 43% share), and the exports market segments accounting for the rest.

The exports segment grew at a CAGR of 17.47% over FY2009-14, on the back of the increase in demand for generics due to patent expiries of the branded drugs, coupled with growth in the outsourcing trend by the global pharma companies. India exports its pharmaceutical products to over 200 countries, with US being the world’s largest generic drug market, also continuing to remain its single largest export destination, thereby grabbing a 26.52% share in the total exports to

the world during FY14. Of the total exports, formulations accounted for around 60%, while the APIs and herbal products accounted for the rest during FY14. The exports of formulations are driven by patent expiries of blockbuster drugs globally, thereby increasing the demand for generics. Domestically, the demand for formulations is driven by increasing per capita income, shift in disease profile from acute to chronic, and huge untapped potential for expanding health insurance penetration in the country. On the other hand, the export of bulk drugs is driven by growing share of generics globally and increasing export opportunities arising from CRAMS.

The domestic consumption segment (comprising of domestic market and imports) grew at a CAGR of 7.21% over FY09-14, attributed to increase in prevalence of lifestyle-related diseases, healthcare infrastructure development (viz., development of primary health centers, community health centers, hospitals) etc. The domestic formulation market consists of branded generic segment (accounting for about 90%) and commodity generic segment accounting for the rest.

Pharmaceutical imports grew at a CAGR of 29.55% over FY2009-14, with majority of pharmaceutical imports in India consisting of bulk drugs and intermediates which form about 80% of the total imports. Moreover, around 60% of the bulk drug requirements of India are met through Chinese imports. On the other hand, India is self-reliant in production of formulations.

Key Growth Drivers

The growth in IPI can be attributed to several factors, such as growth in middle class population, rapid urbanization, changing demographics and increase in per capita income leading to increasing healthcare penetration, increasing prevalence of lifestyle related disease, outsourcing opportunity offered by big pharma MNCs, and many other factors.

Regulatory Scenario

IPI is a highly regulated which invokes scrutiny through multiple organisations. There are various regulatory bodies, both at the national and international level, which are entrusted with the duty of ensuring approval, production and marketing of the new/ duplicated drugs into India and other respective markets. Some of these include National Pharmaceutical Pricing Authority (NPPA) and Central Drug Standards and Control Organisation (CDSCO) at the national level, while USFDA at the international level.

- 1) **NPPA:** The NPPA was instituted under the Department of Chemicals and Petrochemicals and is entrusted with the duty of fixing/revising the prices of controlled bulk drugs and their

formulations. For drugs not under price control, the companies may set the Minimum Retail Price (MRP).

- 2) **CDSCO:** The CDSCO was instituted under the Ministry of Health and Family Welfare. It prescribes standards and measures for ensuring the safety, efficacy and quality of drugs, cosmetics, diagnostics and devices in the country. It also regulates the market authorization of new drugs and clinical trial standards. In addition to this, it also supervises the drug imports.
- 3) **USFDA:** The United States Food and Drug Administration (USFDA) is an apex agency of the US Department of Health and Human Services which is responsible for protecting and promoting public health. It discharges these duties by way of the imposing regulation and supervision of food safety, tobacco products, prescription and over-the-counter (OTC) pharmaceutical drugs, vaccines, biopharmaceuticals, blood transfusions, medical devices and more. The USFDA's activities in India are to ensure that food and medical products exported from India to USA are safe, possess good quality and are effective. The activities of USFDA in India include:
 - Engaging with counterpart regulatory authorities in India to ensure the timely exchange of information regarding clinical trials that are conducted which support marketing applications in USA.
 - Working with regulated product industries in India that wish to export their products to USA in order to ensure that they have an adequate understanding of USA standards and expectations regarding FDA-regulated products.
 - Co-ordinating and collaborating daily on product quality and safety issues with other USA government agencies that have complementary missions to assess conditions and events in those areas that might have an impact on the safety and quality of FDA-regulated products being exported to USA.
 - Undertaking and increasing FDA inspections on a timely basis.
 - Approving new drugs/ duplicated drugs manufactured or marketed by India, to be consumed in USA.

In addition to these, there are various acts and policies governing the whole pharma industry with regard to quality, safety, systems, procedures, processes, etc. Some of these are as enlisted below:

- 1) **The Indian Patents Act, 1970 and its consequent amendments:** This act was a milestone in the Indian pharma industry which led to the double digit growth of domestic pharma companies, which eventually made India largely self-reliant in terms of addressing the nation's drugs and medicinal needs, and also gave a boost to exports. This stemmed from the government abandoning the idea of product patent protection due to duplication of

western country drugs by Indian companies, and subsequently only allowing for “process patents”.

- 2) **The Drugs and Cosmetics Act, 1940:** This was enacted by the Parliament of India, which regulates the import, manufacture and distribution of drugs and cosmetics in India, with the primary objective of ensuring that the same are safe, effective, and conform to state quality standards. Moreover, it also covers various topics related to standards of quality, misbranded drugs, adulterated drugs, spurious drugs, etc.
- 3) **The Pharmacy Act, 1948:** This act was primarily enacted to regulate the profession of pharmacy. This act was originally introduced to recognize a minimum standard of professional as being required in order to practice the profession of pharmacy.
- 4) **The Drugs and Magic Remedies Act, 1955:** This act was created to control the advertisement of drugs and remedies which are alleged to possess magic qualities, in order to regulate IPI.
- 5) **The National Pharmaceuticals Pricing Policy, 2012 (NPPP):** This policy lays down the principles governing the pricing of essential drugs specified in the National List of Essential Medicines (NLEM) declared by the Ministry of Health and Family Welfare, so as to ensure the availability of such essential medicines at an affordable price. Ceiling Prices (CP) of the drugs are fixed on the basis of market based data (MBD), by taking simple average price of all the brands having market share of 1% or more. The drug makers will be free to fix any price for their products equal to or below the CP.
- 6) **The Drugs Price Control Order, 2013 (DPCO):** The DPCO 2013 aims to ensure an equitable distribution, increased supply and cheap availability of bulk drugs. It provides the list of price controlled drugs, procedures for fixation of prices of those drugs, method of implementation of the said prices fixed by the government and penalties for contravention of provisions. This 2013 order supersedes the 1995 order, while the provisions under this order are applicable to all scheduled formulations, irrespective of whether imported or patented, unless exempted. Recently, the NPPA has notified the ceiling price for 151 drugs under the DPCO 2013.
- 7) **GMP Guidelines under the Drugs & Cosmetic Act, 1940:** The present Good Manufacturing Policies (GMP) Guidelines are primarily based on the lines of international guidelines as recommended by the World Health Organization (WHO). These guidelines relate to the appropriate methodology, systems, procedures, documentations etc. required for manufacturing drugs as per international standards and keeping pace with the advances of technology.

Outlook & Challenges

IPI is expected to witness a robust growth of 15-20% over FY14-FY19, given the huge export potential coupled with steady growth in the domestic consumption market.

The exports will continue to dominate the market with more than half of IPI share, and are expected to grow at a CAGR of 15-18% over FY14-19, driven by patent expiries of the major branded drugs all over the world, coupled with the enhanced focus on the niche and complex product segments. US will continue to lead the exports pie in the near future.

The domestic consumption, on the other hand, is expected to clock a CAGR of over 12-14% over FY14-19, driven by increase in penetration of medical facilities, increase in number of government hospitals, increasing prevalence of chronic diseases, rising per capita income and increasing health insurance coverage.

However, the IPI faces the following challenges:

- 1) **Competition from bulk drugs manufacturers of China:** There has been a sharp fall in the share of India's domestic APIs production out of the total API consumption in India. India used to produce around 70% of its bulk drug requirement, which has now fallen below 35% on account of availability of cheap bulk drugs from China. Currently, India's import of bulk drugs from China accounts for about 60% of its total bulk drugs imports. China remains a dominant player in the global bulk drugs industry owing to its large-scale manufacturing capabilities which is supported by availability of loans and power supply at cheaper rate compared to the rest of the world.
- 2) **Compliance issues:** The pharma players face numerous compliance issues related to current good manufacturing practice (cGMP) of USFDA which can result in delay in new product approvals, delay in manufacturing and sale of drugs, companies being levied financial penalty and thereby required to incur higher operating costs to ensure compliant manufacturing practices. Hence, regulatory risks arising from quality issues will have a significant impact on the earnings capability of Indian pharmaceutical companies.
- 3) **Price control in the domestic market:** IPI faces a lot of price controls over the essential drugs by way of NPPP and DPCO. These price controls are brought in by the government to ensure affordable availability of the essential medicines to the common masses. However, such ceiling of prices hampers the profitability of the pharma players.

Indian Contract Research and Manufacturing Services (Crams) Industry

Indian CRAMS industry offers many avenues to the global pharma players looking to outsource their manufacturing and R&D business to the low cost but efficient and a quality product yielding destinations around the globe. Indian CRAMS market is broadly categorized into contract manufacturing services (CMS), comprising of about 60% of the total Indian CRAMS market) and

contract research services (CRS) accounting for the rest. The growth rate for Indian CRAMS players slowed down to 5-8% CAGR during CY09-11, for the industry underwent through tough times on account of inventory rationalization and reduction in R&D budget by multinational pharma companies in the face of global slowdown. Amid this slowdown, the CRAMS players also faced rising cost pressures, especially with new products not being launched in the market. However, the growth rate gradually picked up to low double digits in subsequent years.

Models of Arrangements

Several models of arrangements of pharma companies with CRAMS players have emerged in recent years:

- 1) The CRAMS companies have become steady suppliers of APIs used in the manufacture of formulations.
- 2) The manufacture of formulation drugs are carried out by CRAMS companies at lower costs due to economies of scale.
- 3) The CRAMS companies specialising in research have taken up assignments in formulation development, drug development or conducting trials.

Contract Manufacturing Segment (CMS)

India is one of the world's largest known low-cost pharma manufacturing centers, having highest number of USFDA approved plants outside USA. This fact continues to boost the CMS activities within India thereby enhancing the prospects of the Indian CMS companies, and will continue to do so. With Indian CRAMS industry gradually moving up the value chain coupled with the players investing in better technology and higher capacities, manufacture of value-added products for biotech and specialty therapy areas may be outsourced to Indian players in the future. The total CMS market in India stood at around US\$4.7 billion during CY13.

Contract Research Segment (CRS)

The Indian CRS provides services ranging from preclinical phase to the phase IIA clinical trial. It consists of drug discovery, preclinical and clinical research services. The CRS market includes services provided to the pharma and biotechnology companies in the clinical development process for new innovative molecules (NCEs) as well as generics. The total CRS market in India stood at about US\$3.1 billion during CY13.

Outlook & Challenges

The Indian CRAMS market is expected to grow at a CAGR of 18-20% by 2018, on the back of patent cliff, favorable currency movement and focus on new product development by the global pharma players.

The CMS in India is expected to grow at a CAGR of 17-18% till CY18 on account of patented drugs worth about US\$85 billion in the annual sales in US expected to come off patent over CY14-20. Once these drugs lose patent protection, the focus would shift to price competitiveness and ensuring manufacture of such generic drugs in the most cost-effective manner.

With R&D costs increasing and productivity declining in regulated markets, global pharma companies are looking for measures, including outsourcing, to enhance their drug pipeline (for instance, in finished drugs portfolio), which will enable **the CRS segment** in India to grow at a CAGR of 18-20% till CY18.

However, the CRAMS industry faces challenges such as:

- 1) **Requirement of qualified research professionals:** The XIIth Five Year Plan has mentioned the need to have qualified medical professionals for research into new diseases, cheap drugs and emerging sub-sectors such as bio-medicals.
- 2) **Proliferation of counterfeit drugs and increasing USFDA bans on Indian plants:** According to a report on Countrywide Survey for Spurious Drugs, the Central Drugs Standard Control Organisation (CDSCO) has claimed only 0.3% of the drugs sold in India are fake. However, a study by the Organisation of Economic Cooperation and Development (OECD) shows that nearly 7.5% of the fake drugs in the world can be sourced to India. This has added to the concerns of the Indian CRAMS industry about its perception abroad. Moreover, the increasing trend in the import alerts by the USFDA on the Indian plants too continues to pose a series of doubts to the global pharma companies on the manufacturing practices followed by the Indian companies.
- 3) **Lack of a unitary central regulator:** Regulation of drug manufacture and its processes and practices is carried out by the respective Food and Drug Administration Departments at the state level. Due to lack of a unified single central authority, the enforcement of laws tends to vary from state to state. Such a regulatory framework is inconsistent with the long term goals of enforcing GMP.

SITE VISIT REPORT:

Manufacturing facility



Location of Plant / Servicing Facility	Plot No.10/13, Sarkhej – Bavla Road, Nr. M. N. Desai Petrol Pump, Changodar, Ahmedabad – 382214, Gujarat
Sites visited	Plot No.10/13, Sarkhej – Bavla Road, Nr. M. N. Desai Petrol Pump, Changodar, Ahmedabad – 382214, Gujarat
Presence in a cluster	Yes
Area of the unit	10,022 sq. mtrs.
No. of employees at site	241
Ownership of premises	Owned
Other facilities	NA

Adequacy of Manufacturing Facilities

Availability of land for future expansion	Adequate
Site layout	Structured
Adequacy of insurance coverage	Fully insured
Source of power	The requirement of power is met by supply from Uttar Gujarat Vij Company Ltd. In addition SHL has installed a total of three DG sets of 1,020 kva for providing standby power backup.
Adequacy of power	Adequate
Source of water	Bore well
Type of fuel used	Electricity
Presence of labour union	No
Industrial relations	Good
Level of work safety	Adequate
Adequacy of storage facilities	Adequate
Operational status of plants	Operational

Comments:

- SHL’s manufacturing facility has four units each manufacturing different set of products as mentioned below.

Product-wise facility

Manufacturing units	Year of establishment	Products manufactured	Other details
Unit I	2005	Oral liquids	It is a fully automatic line from initial bottle washing up to the final packaging of the products. The production process is suitable for both pet and glass bottles.
Unit II	2008	Tablets, capsules, dry syrup and sachet	The procedure is suitable for production of different shapes, sizes and volumes of tablets as well as capsules. It has separate lines for man and material movement and the production area is covered with High Efficiency Particulate (HEPA) filters.
Unit III	2008	Liquid injectibles (SVP) – ampoules and vials	There is separate air conditioned storage facilities for finished goods and raw material.
Unit IV	2012	Dry powder injection	The unit has separate air conditioned storage facilities for finished goods and raw materials with humidity control also.

- The manufacturing facility is certified by ISO 9001:2008 (BVQI) and World Health Organization – Good Manufacturing Practice (WHO-GMP). Also the company is in the process of obtaining European Union – Good Manufacturing Practice (EU-GMP) certification.
- SHL has developed capability of manufacturing multiple formulations using a combination of process. Across various manufacturing processes, quality systems have been put in place to ensure consistent quality, efficacy and safety of products.
- The company is focused on the technological advancement of its manufacturing facility in order to improve process efficiencies and produce high quality products. SHL has planned to set up a Lyophilisation facility to manufacture lyophilized products (mainly injectables) in order to enhance the product life span and stability, which is expected to commence full operations by March 2016.

Product wise operational details

Particulars	Units	FY12	FY13	FY14	9MFY15
Product wise installed capacity	Qty. in crore				
Oral Liquid - Syrups, Suspensions, Elixirs.		1.38	1.38	1.38	1.38
Tablets / Capsules B-Lactum.		5.76	5.76	5.76	5.76
Dry Syrup B-lactum. / Sachet		0.46	0.46	0.46	0.46
Liquid Injectibles (SVP) - Ampoules		6.91	6.91	6.91	6.91
Liquid Injectibles (SVP) - Vials		3.46	3.46	3.46	3.46
Dry Powder Injection - Cephalosporin.		-	1.38	1.38	1.38
Total		17.97	19.35	19.35	19.35
Product wise capacity utilization	%				
Oral Liquid - Syrups, Suspensions, Elixirs.		73	62	62	83
Tablets / Capsules B-Lactum.		43	61	46	21
Dry Syrup B-lactum. / Sachet		10	4	8	14
Liquid Injectibles (SVP) - Ampoules		45	29	75	61
Liquid Injectibles (SVP) - Vials		41	67	63	32
Dry Powder Injection - Cephalosporin.		NM	25	8	19

Comment:

- Product wise capacity utilization level have remained quite fluctuating over the years as SHL undertakes contract manufacturing orders involving variation in product mix required by the clients.

FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT
Rs. In Lakh

Period Ends on:	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 March 2015
Result Type:	Actual	Actual	Actual	Actual	Actual	Actual
No. of months in current financial year	12	12	12	12	12	12
Net Sales	1585.06	2012.84	1619.16	2190.71	2968.64	3502.73
Other Income (related to operations)	0.00	0.00	5.13	6.36	2.39	2.54
Total Operating Income	1585.06	2012.84	1624.29	2197.07	2971.03	3505.27
Material Costs	823.72	1083.41	442.11	844.66	1273.90	1824.14
Accretion : Decretion to Finished Goods Stock	0.41	-2.27	0.94	1.38	49.00	-90.86
Consumable Stores	10.76	11.94	16.32	21.51	28.46	31.54
Power and Fuel	134.52	176.42	175.01	212.37	287.65	327.22
Employee Costs	114.49	132.46	174.15	247.54	332.16	400.21
Other Manufacturing Expenses	59.17	38.43	44.97	53.74	86.96	124.34
Other Expenses	26.04	30.95	51.96	42.44	104.28	69.03
Selling Expenses	6.24	7.47	8.38	13.25	21.53	28.04
Miscellaneous Expenses Written off	2.82	17.84	0.00	0.00	0.00	0.00
Cost of Sales	1178.16	1496.64	913.84	1436.88	2183.94	2713.66
PBILDT	406.89	516.20	710.45	760.18	787.09	791.61
Depreciation	110.02	146.88	185.65	197.66	211.90	249.63
PBIT	296.87	369.33	524.80	562.52	575.19	541.98
Interest and Finance Charges	155.78	246.48	377.53	384.27	374.58	298.53
Operating Profit Before Tax (OPBT)	141.09	122.85	147.26	178.25	200.61	243.46
Operating Profit After Tax (OPAT)	93.55	65.87	78.97	104.93	116.66	109.67
Non-Operating Income / (Expense)	17.30	7.72	2.45	0.00	0.00	0.00
Profit Before Tax (PBT)	158.40	130.57	149.71	178.25	200.61	243.46
Cash Adjustments	0.00	0.00	-1.20	-3.76	-0.22	171.01
Adjusted Profit Before Tax (APBT)	158.40	130.57	148.51	174.49	200.39	414.47
Tax	3.50	26.00	35.91	36.81	41.68	51.10
Provision for Deferred Tax	49.87	34.56	32.96	34.96	42.18	176.65
Adjusted Profit After Tax (APAT)	105.02	70.01	79.64	102.71	116.53	186.71
Adjusted Profit After Tax & Discontinuing Operations	105.02	70.01	79.64	102.71	116.53	186.71
Gross Cash Accruals	267.73	269.29	298.25	335.34	370.61	612.99

Comments:

Revenue analysis

Parameters	FY10	FY11	FY12	FY13	FY14	FY15	CAGR (%) (FY10- FY15)
Net Sales	1,585.06	2,012.84	1,619.16	2,190.71	2,968.64	3502.73	17.2%
% y-o-y growth	-13.70	27.00	-19.56	35.30	35.51	17.99%	-
Other Income (related to operations)	0.00	0.00	5.13	6.36	2.39	2.54	-13.1%
% y-o-y growth	NM	NM	NM	23.88	-62.43	6.32%	-
Total Operating Income	1585.06	2012.84	1624.29	2197.07	2971.03	3505.27	17.2%
% y-o-y growth	-13.76	26.99	-19.30	35.26	35.23	17.98%	-

- SHL’s total operating income (TOI) consists of sales of pharmaceutical formulation products and other operating income. Sales of pharmaceutical formulation products comprises of contract manufacturing sales (to the leading pharmaceutical players operating in India), domestic direct sales (mainly to the deemed exporters), and direct exports sales (to Nigeria, Ethiopia and other African countries).
- Net sales grew at CAGR of 17.2% during FY2010-15 to Rs.3502.73 lakh in FY15 from Rs. 1,585.06 lakh in FY10, with the increase in product portfolio (on the back of rising number of product registrations), and expansion of client base. However the net sales had declined by 19.56% y-o-y from 2,012.84 lakh in FY11 to Rs.1,619.16 lakh in FY12; owing to decrease in direct domestic sales by 69.80% y-o-y (from Rs.1,233.90 lakh in FY11 to Rs.372.22 lakh in FY12) on account of deterioration in demand from the deemed exporters, which remarkably recovered back in the subsequent years and stood at Rs.3502.73 lakh in FY15.
- Other income increased by 6.32% y-o-y from Rs.2.39 lakh in FY14 to Rs. 2.54 lakh in FY15 on account of increase in interest income received by the company.
- SHL’s all the three revenue segments witnessed double digit CAGR growth during FY2010-15, direct exports sales (to Nigeria, Ethiopia and other African countries) registered the fastest CAGR (about 45.7%) during FY2010-15, followed by contract manufacturing (around 19.65%) and direct domestic sales (about 13.33%).
- B-lactum tablets & capsules is the largest selling product segment of SHL in terms of sales value, contributing 44.24% of the total revenue in FY14, followed by liquid injectibles (SVP) ampoules (around 20.72%) and oral liquids (about 15.94%). Furthermore, B-lactum dry syrup & sachet is the fastest growing product segment in terms of value, with CAGR of 96.16% during

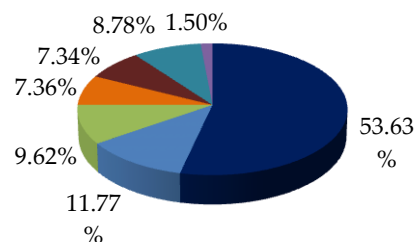
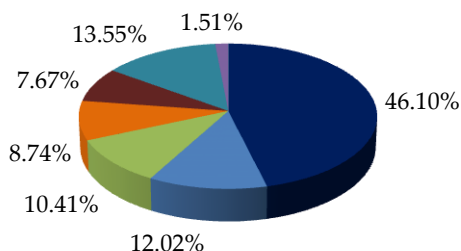
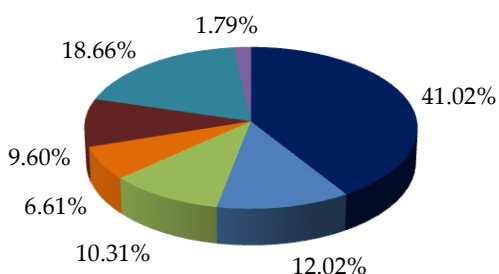
FY12-FY14, followed by liquid injectibles (SVP) ampules (about 61.96%) and B-lactum tablets & capsules (around 45.63%).

FINANCIAL PERFORMANCE - COST STRUCTURE

FY13

FY14

FY15



■ MC ■ EC ■ P&F ■ OC
■ Dep ■ I&F ■ Tax

■ MC ■ EC ■ P&F ■ OC
■ Dep ■ I&F ■ Tax

■ MC ■ EC ■ P&F ■ OC
■ Dep ■ I&F ■ Tax

MC = Material cost EC = Employee cost Dep = Depreciation P&F = Power and fuel I&F = Interest and finance charges OC = Other cost

Comments:

Material Costs constituted the highest pie in the cost structure during FY2013-15. While employee costs increased from Rs. 247.54 lakh in FY13 to Rs400.21 lakh in FY15, the power & fuel costs increased from Rs. 212.37 lakh in FY13 to Rs. 327.22 lakh in FY15. Fixed capital charges (depreciation and finance costs) covered 16.52 portions of total costs for FY15.

Material cost analysis

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Material cost (Rs. lakh)	823.72	1,083.41	442.11	844.66	1273.9	1824.14
% y-o-y growth	-36.10	31.53	-59.19	91.05	50.82	43.19
As % of TOI	51.97	53.82	27.22	38.44	42.88	52.04
As % to cost of sales	69.92	72.39	48.38	58.78%	58.33%	67.22%

- SHL being engaged in the manufacturing of pharmaceutical products, material cost is the largest cost component for the company. SHL procures raw material (mainly APIs, excipients, and packaging material) from the suppliers based in domestic market.

- Material cost as a % of TOI increased from 42.88% in FY14 to 52.04% in FY15, impacting the margins on account of increasing price competition and a conscious decision to increase the scale of operations. The material cost as a percentage of TOI declined significantly from 53.82% in FY11 to 27.22% FY12, on the back of execution of higher margins exports order received from Ghana.
- Furthermore, the raw material prices are moderately fluctuating in nature hence SHL's profitability remains susceptible to the rise in raw material prices (excluding the contract manufacturing segment, wherein the client is required to supply raw material to SHL). However the risk is mitigated to an extent on the back of established relationship with suppliers.

Power & fuel cost

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Power & fuel cost (Rs. lakh)	134.52	176.42	175.01	212.37	287.65	327.22
% y-o-y growth	64.54	31.15	-0.80	21.34	35.45	13.76
As % of TOI	8.49	8.76	10.77	9.67	9.68	9.34
As % to cost of sales	11.42	11.79	19.15	14.78%	13.17%	12.06%

- Power & fuel (P&F) cost forms a significant part of the total operating expenditure of SHL being a pharmaceutical product manufacturer, which remained in the range of 8% to 11% of TOI during FY2010-15.

Employee cost

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Employee cost (Rs. lakh)	114.49	132.46	174.15	247.54	332.16	400.21
% y-o-y growth	-14.40	15.69	31.48	42.14	34.18	20.49
As % to total operating income	7.22	6.58	10.72	11.27	11.18	11.42
As % to cost of sales	9.72	8.85	19.06	17.23%	15.21%	14.75%

- SHL employs considerable number of manpower for manual intervention in the process, quality control, dispatch and other functions. The total number of employees with the company stood at 241 as on June 25, 2015.
- Employee cost remained stable at 11.42% of the TOI in FY15 (compared to 11.18% in FY14).

Selling & other operating cost items

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Selling Expenses (Rs. lakh)	6.24	7.47	8.38	13.25	21.53	28.04
% y-o-y	62.75	19.67	12.24	58.09%	62.49%	30.24%
% of TOI	0.39	0.37	0.52	0.03	0.02	0.01
% of cost of sales	0.53	0.50	0.92	0.92%	0.99%	1.03%
Other Manufacturing Expenses (Rs. lakh)	59.17	38.43	44.97	53.74	86.96	124.34
% y-o-y	155.15	-35.05	17.03	19.50%	61.82%	42.99%
% of TOI	3.73	1.91	2.77	2.45	2.93	3.55
% of cost of sales	5.02	2.57	4.92	3.74%	3.98%	4.58%
Other operating Expenses (Rs. lakh)	26.04	30.95	51.96	42.44	104.28	69.03
% y-o-y	160.01	18.84	67.92	-18.33%	145.71%	-33.80%
% of TOI	1.64	1.54	3.20	1.93	3.51	1.97
% of cost of sales	2.21	2.07	5.69	2.95%	4.77%	2.54%

- Selling expenses had always remained below 1% of the TOI during FY2010-15.
- Other manufacturing expenditure remained in the range of 2% to 4% of the total operating income during FY2012-15, after significantly increasing from 1.91% in FY11.
- Other operating expenditure as a percent of TOI significantly increased from 1.95% in FY13 to 3.35% in FY14, mainly on account of sharp rise in the product registration charges as depicted in the below mentioned table.

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Product registration charges (Rs. lakh)	0.07	1.01	0.19	1.11	24.23	53.57
% y-o-y growth	-51.27	1288.08	-81.77	501.21	2078.57	221.0

- The product registration charges increased significantly from Rs. 24.23 lakh in FY14 to Rs. 53.57 lakh in FY15, as the company increased its focus on product registration to enhance its product portfolio. The company registered 47 products during FY14 vis-à-vis 7 products in FY13 leading to sharp increase in expense incurred towards registration. Furthermore during 9MFY15, SHL registered 43 more products.

Depreciation

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Depreciation (Rs. lakh)	110.02	146.88	185.65	197.66	211.9	249.63
% y-o-y growth	31.23	33.50	26.40	6.47	7.20	17.81
As % of total operating income	6.94	7.30	11.43	9.00	7.13	7.12
Depreciation rate (% of average gross block)	3.29	4.08	4.57	4.47	4.51	5.15

- Depreciation increased from Rs.211.9 lakh in FY14 to Rs.249.63 lakh in FY15 due to investment in factory building, plant & machineries, furniture, office equipment and other fixed assets.
- Depreciation on all the fixed assets is provided under straight line method as per schedule XIV of the Companies Act, 1956.

Interest and finance charges

Parameters	FY10	FY11	FY12	FY13	FY14	FY15
Interest and Finance Charges (Rs. lakh)	155.78	246.48	377.53	384.27	374.58	298.53
% y-o-y growth	5.03	58.22	53.17	1.78%	-2.52%	-20.30%
As % of TOI	9.83	12.25	23.24	17.49	12.61	8.52

- The total interest and finance charges have decreased from Rs.374.58 lakh in FY14 to Rs298.53 lakh in FY15 mainly due to stabilization of operations and schedule repayment of rupee term loan.
- Interest and finance charges significantly increased from Rs.155.78 lakh in FY10 to Rs.377.53 lakh in FY12, as the company availed rupee term loan for expansion of the manufacturing facility.

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS
Rs. In Lakh

Period Ends on:	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual	Actual
Gross Block	3344.83	3847.18	4259.58	4540.40	4812.47	4879.28
Accumulated Depreciation	-289.18	-436.05	-601.77	-799.44	-1011.33	-1260.96
Net Block	3055.65	3411.13	3657.81	3740.97	3801.14	3618.32
Net Fixed Assets	3055.65	3411.13	3657.81	3740.97	3801.14	3618.32
Other long term loans & advances	36.70	30.20	34.21	31.01	32.00	33.00
Total Long Term Loans & Advances	36.70	30.20	34.21	31.01	32.00	33.00
Raw and Packing Materials	539.79	475.37	481.33	650.09	458.01	353.54
Finished Goods	42.09	44.36	2.02	0.64	229.41	320.27
Stores and Spares	0.20	7.54	0.00	0.00	0.00	0.00
Total Inventories	582.08	527.27	483.35	650.73	687.42	673.81
Receivables : Less than 6 months	304.73	276.88	110.76	134.45	224.99	200.53
Total Receivables	304.73	276.88	110.76	134.45	224.99	200.53
Current Loans; Advances; current assets related to operations	241.12	290.51	335.27	304.57	307.97	229.98
Cash and Bank Balances	26.24	42.38	370.65	16.61	8.99	93.32
Advance Tax Paid	19.68	42.41	0.00	0.00	0.00	168.53
Total Other Current Assets	287.04	375.30	705.92	321.18	316.96	491.83
TOTAL CURRENT ASSETS related to operations	1173.85	1179.46	1300.03	1106.35	1229.38	1366.18
TOTAL ASSETS	4266.20	4620.78	4992.05	4878.32	5062.52	5017.49

Comments:
Fixed assets
Composition of net fixed assets

- SHL's fixed assets primarily comprise of plant & machineries (around 85.42% of net fixed outstanding as on FY15), buildings (about 24.91%), laboratory instruments (around 2.04%) and furniture (about 2.02%).
- In FY15, SHL invested in factory building (mainly on account of expansion of manufacturing facility), plant & machineries, laboratory instruments, furniture, and office equipment which increased the asset base during the year.
- Furthermore, the outstanding amount of factory land has remained constant during FY2010-15 (worth Rs. 55.89 lakh), as the manufacturing units Unit II (in 2008), Unit III (2008) and Unit IV (2012) were set up on the existing premises.

Long term loans & advances

(Rs. Lakh)

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Total long term loans & advances	36.70	30.20	34.21	31.01	32.00	33.00
Security Deposit (Gujarat Electricity Board & Gas)	34.17	28.26	28.26	28.26	28.26	28.26
Advance payment for capital goods	2.52	1.94	5.95	2.75	3.74	4.74
As % of total assets	0.86	0.65	0.69	0.64	0.63	0.65

- SHL's long term loans and advances consist of security deposits with (Gujarat Electricity Board & Gas) and advance payment for capital goods.
- Long term loans and advances have marginally increased from Rs.32.00 lakh as on March 31, 2014 to Rs.33.00 lakh as on March 31, 2015; due to increase in advance payment for capital goods.

Inventories

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Raw and Packing Materials (Rs. lakh)	539.79	475.37	481.33	650.09	458.01	353.54
Average Raw Material Inventory Period (days)	241	169	390	241	157	80
Finished Goods (Rs. lakh)	42.09	44.36	2.02	0.64	229.41	320.27
Average Finished Goods Inventory Period (days)	13	10	9	0	19	37
Stores and Spares (Rs. lakh)	0.20	7.54	0.00	0.00	0.00	0.00
Total inventories (Rs. lakh)	582.08	527.27	483.35	650.73	687.42	673.81
Average Inventory Period (days)	182	134	201	143	111	91
Total inventory as % of total assets	13.64	11.41	9.68	13.07	13.58	13.43

- Total inventory primarily comprises of raw material inventory (mainly APIs and excipients), WIP and finished goods inventory (only towards own manufacturing, as towards contract manufacturing is recorded in the client's books as discussed with the management). The average inventory holding period stood at 91 days in FY15 (vis-à-vis 111 days in FY14), as SHL follows raw material inventory holding policy for the period of two months in order to timely meet demand from the clients for various product offerings, as the entire manufacturing process of takes up to 45 days; due to the same reason WIP inventory level is also quite high.
- As per discussion with the management, SHL has increased focus on the manufacturing for the direct sales segment that may further enhance the level of inventory holding going ahead. Moreover, with setting up of lypholization facility the manufacturing process will be further elongated for the liquid injectable product segment thereby increasing the overall inventory holding.

Sundry debtors

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Total Receivables (Rs. lakh)	304.73	276.88	110.76	134.45	224.99	200.53
Average Collection Period (days)	89	52	43	20	22	22
As % of net sales	19.2	13.8	6.8	6.1	7.6	5.7
As % of total assets	7.14	5.99	2.22	2.75	4.44	3.99

- SHL's total receivables outstanding as on March 31, 2015 consist of debtors from both the direct sales (accounting for ~58% of the total outstanding debtors) as well as contract manufacturing sales segment (forms the rest ~42%). The company receives upto 60 percent of the payment in advance from the contract manufacturing clients. Furthermore, SHL offers credit period of around 45 to 60 days to the domestic customers (mainly deemed exporters) and receives upto 30% advance payment from the overseas customers while booking the exports order. Over the years the company has significantly improved its receivables management thereby the average receivables period stood stable at 22 days in FY15 (compared to 22 days in FY14).

Ageing analysis of debtors

Particulars (Rs. Lakh)	< one month	1-3 months	3-6 months	6-12 months	12-24 months	>24 months	Total
Debtors as on Mar 12	83.58	27.17	-	-	-	-	110.76
Debtors as on Mar 13	234.08	-	-	-	-	-	234.08
Debtors as on Mar 14	203.39	21.60	-	-	-	-	224.99
Debtors as on Dec 14	362.49	2.78	-	-	-	-	365.27

- For the past three balance sheet dates ending on March 31, 2014; with the efficient receivable management, most of the receivables dues have been outstanding are for less than three months.

Other current assets

(Rs. Lakh)

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Other current assets	287.04	375.30	705.92	320.61	316.38	484.37
As % of total assets	6.73	8.12	14.14	6.45	6.26	4.49
Other operating current assets	241.12	290.51	335.27	304.00	307.39	222.52
Excise A/C	237.99	236.82	293.56	255.16	248.06	135.29
Advances recoverable in cash or kind	-	25.17	4.29	4.85	8.23	15.41
Advance tax FBT	0.27	-	-	-	-	-
VAT credit	-	24.15	32.97	37.71	43.69	63.57
Prepaid expenses	2.86	4.37	4.46	6.28	7.41	8.25
Advance tax paid	19.68	42.41	-	-	-	168.53
Income tax	3.06	9.06	-	-	-	-
TDS	16.62	33.35	-	-	-	-
Cash & bank balances	26.24	42.38	370.65	16.61	8.99	93.32
Cash on hand	10.47	0.53	0.37	0.99	1.10	3.49
Balances with banks in current accounts and deposit account	72.02	41.85	370.28	15.61	7.89	89.83

- Other operating current assets decreased from Rs.307.39 lakh in as on March 31, 2014 to Rs.222.52 lakh as on March 31, 2015.
- SHL had Rs.3.49 lakh in cash and Rs.89.83 lakh in bank as on March 31, 2015.

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES
Rs. In Lakh

Period Ends on:	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual	Actual
Total Paid Up Equity Share Capital	740.00	800.00	800.00	800.00	800.00	800.00
Share Application Money pending allotment	148.00	88.00	88.00	88.00	88.00	0.00
Share / security Premium Reserve	160.00	160.00	160.00	160.00	160.00	160.00
General Reserve; Other Free Reserves	210.68	280.70	330.48	433.20	549.73	736.44
Gross Reserves	370.68	440.70	490.48	593.20	709.73	896.44
Miscellaneous expenses not written off	-207.31	-268.11	0.00	0.00	0.00	0.00
Net Reserves	163.37	172.58	490.48	593.20	709.73	896.44
Tangible Net Worth	1051.37	1060.58	1378.48	1481.20	1597.73	1696.44
Rupee Term Loans	1457.32	1767.84	2018.58	1983.56	1551.27	1314.94
Loans and advances from promoters related parties	576.40	576.40	555.66	198.07	410.36	776.24
Total Long Term Debt	2033.72	2344.24	2574.24	2181.64	1961.63	2091.19
Current portion of Long Term Debt and Fixed Deposits	-	-	-	0.00	-201.00	-213.00
Net Long Term Debt	2033.72	2344.24	2574.24	2181.64	1760.63	1878.19
Current portion of Long Term Debt and Fixed Deposits	-	-	-	0.00	201.00	213.00
Other Long Term liabilities	100.10	134.66	167.61	0.00	0.00	0.00
Other Long Term Liabilities	100.10	134.66	167.61	0.00	0.00	0.00
Working capital Bank Borrowings	752.94	658.26	700.26	719.83	671.99	596.83
Total Short Term Debt	752.94	658.26	700.26	719.83	872.99	809.83
Creditors for goods	140.91	300.72	142.91	252.40	352.21	96.09
Creditors for Expenses	163.42	0.00	0.00	0.00	0.00	0.00
Advances; deposits recd from customers :related to ops.	0.00	0.00	0.00	0.00	183.53	40.71
Other Current Liabilities :related to ops.	20.25	93.82	10.70	27.47	28.98	36.75
Total Current Liabilities	324.58	394.55	153.61	279.87	564.72	173.55
Provision for Taxes	3.50	26.00	13.50	6.53	12.23	0.00
Other Provisions ; regular	0.00	2.50	4.34	6.68	9.47	38.08
Total Short Term Provisions	3.50	28.50	17.84	13.21	21.69	38.08
Total Current Liabilities And Provisions; Related To Operations	328.08	423.04	171.45	293.08	586.41	211.63
Total Outside Liabilities	2786.65	3002.50	3274.50	2901.47	2633.62	2688.02
Total Liabilities	4266.20	4620.78	4992.05	4878.32	5062.52	5017.49

Comments:

Equity share capital

- SHL has 80,00,000 equity shares with a face value of Rs.10 each as on March 31, 2015.
- SHL received financial support from the promoters in the form of equity infusion (to support the growing scale of operation) to the extent of Rs.40 lakh during FY10 and Rs.60 lakh during FY11 respectively. Furthermore, there has been no change in the share capital of Rs. 800 lakh during FY12 to FY15. However, share application money worth Rs.88 lakh was withdrawn during FY15.

Long term borrowings

- The total long term debt outstanding as on March 31, 2015 consists of rupee term loan (worth Rs. 1314.94 lakh), and unsecured loans from the promoters and related parties (Rs.776.24) availed primarily to fund capital expenditure for expansion and advancement of the manufacturing facility.
- The dependence on rupee term loan has reduced since FY11, with the schedule repayment of the same. Furthermore, the unsecured loans from the promoters and related parties are non-interest bearing in nature and do not have any pre-conditions for repayment.
- Unsecured loan from the promoters and related parties outstanding as on March 31, 2015 has been subordinated to the bank debt as per the bank sanction letter dated January 19, 2015.

Other long term liabilities

Parameters (Rs. lakh)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Deferred Tax Liability	100.10	134.66	167.61	202.58	244.76	421.40
As % of total liabilities	2.35	2.91	3.36	4.15	4.83	8.40

- Other long term liabilities include deferred tax liabilities arising on account of timing difference for depreciation (difference in net block of assets as per books and as per income Tax Act, 1961), that increased from Rs. 244.76 lakh as on March 31, 2014 to Rs. 421.40 lakh as on March 31, 2015.

Short term borrowings

- Short term debt consists of cash credit facility (worth Rs.596.83 lakh outstanding as on March 31, 2015) having sanction limit of Rs.700 lakh, availed to meet its working capital requirement since considerable amount of funds are blocked in inventory.

Trade payable

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Trade payable (Rs. lakh)	304.34	300.72	142.91	252.40	352.21	96.09
Average Creditors Period (days)	103	74	87	50	50	30
As % of total liabilities	7.13	6.51	2.86	5.17	6.95	1.92

- SHL's trade payables outstanding as on March 31, 2015 include creditors for goods (primarily the amount due to the suppliers of raw materials). The average creditor's period stood at 30 days in FY15 (compared to 50 days in FY14) as SHL has been offered credit period of up to 30 days to make payment against purchases.

Short term provision
(Rs. lakh)

Parameters	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Total short term provisions	3.50	28.50	17.84	13.21	21.69	38.08
Provision for income tax	3.50	26.00	13.50	6.53	12.23	0.00
Provision for gratuity	-	2.50	4.34	6.68	9.47	38.08
As % of total liabilities	0.08	0.62	0.36	0.27	0.43	0.76

- Total short term provision includes provision for income tax and provision for gratuity.
- The short term provision increased from Rs.21.69 lakh as on March 31, 2014 to Rs.38.08 lakh as on March 31, 2015.

Related party transactions

- The transactions with Mr. Sanjay Shah, Ms. Rita Shah, Mr. Aarsh Shah and Ms. Ayushi Shah comprise the related party transactions of SHL, the details of which have been mentioned below.

Related Party	Designation	Nature of the Relationship
Mr Sanjay S Shah	Director	Spouse of Mrs. Rita S. Shah, Father of Mr. Aarsh S Shah & Ms. Ayushi S Shah
Mrs Rita S Shah	Director	Spouse of Mr Sanjay S Shah, Mother of Mr Aarsh S Shah & Ms Ayushi S. Shah
Mr Aarsh S Shah	Director	Son of Mr Sanjay S Shah & Mrs Rita S Shah, Brother of Ms Ayushi S. Shah
Ms Ayushi S Shah	-	Daughter of Mr Sanjay S Shah & Mrs Rita S Shah, Sister of Mr Aarsh S Shah

Details of the related party transactions
(Rs. lakh)

Name of related Party	Nature of transaction	March 2010	March 2011	March 2012	March 2013	March 2014	March 31, 2015
Mr Sanjay S Shah	Unsecured Loan Received	-	-	-	-	212.29	365.88
Mr Sanjay S Shah	Unsecured Loan Repaid	289.87	-	20.74	142.41	-	-
Mr Sanjay S Shah	Remuneration	3.60	6.00	6.72	7.20	10.20	10.50
Mrs Rita S Shah	Remuneration	2.40	4.46	4.80	4.20	9.34	5.00
Mr Aarsh S Shah	Remuneration	0.78	4.46	4.80	4.80	10.06	5.00
Ms Ayushi S Shah	Remuneration	1.86	4.16	4.82	4.91	8.06	5.00

- The transactions with Dr Sanjay Shah, Ms Rita Shah, Mr Aarsh Shah and Ms Ayushi Shah comprise the related party transactions of SHL, the details of which have been mentioned below.

Details of the transactions outstanding
(Rs. lakh)

Name of related Party	Nature of transaction	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Mr. Sanjay S Shah	Unsecured Loan (Opening Balance)	866.27	576.40	576.40	555.66	198.07	410.36
Mr. Sanjay S Shah	Unsecured Loan (Closing Balance)	576.40	576.40	555.66	198.07	410.36	776.24

- The unsecured loans from the promoters and related parties are non-interest bearing in nature and do not have any pre-conditions for repayment. The same outstanding as on March 31, 2015 has been subordinated to the bank debt as per the bank sanction letter dated January 19, 2015.
- Furthermore, as per the sanction letter, SHL is required to bring additional unsecured loan from the promoters worth Rs. 0.61 crore in the business by March 31, 2015 and the level of Rs.7.71 crore to be maintained and not to be repaid during the currency of bank loan.

Dividend Policy

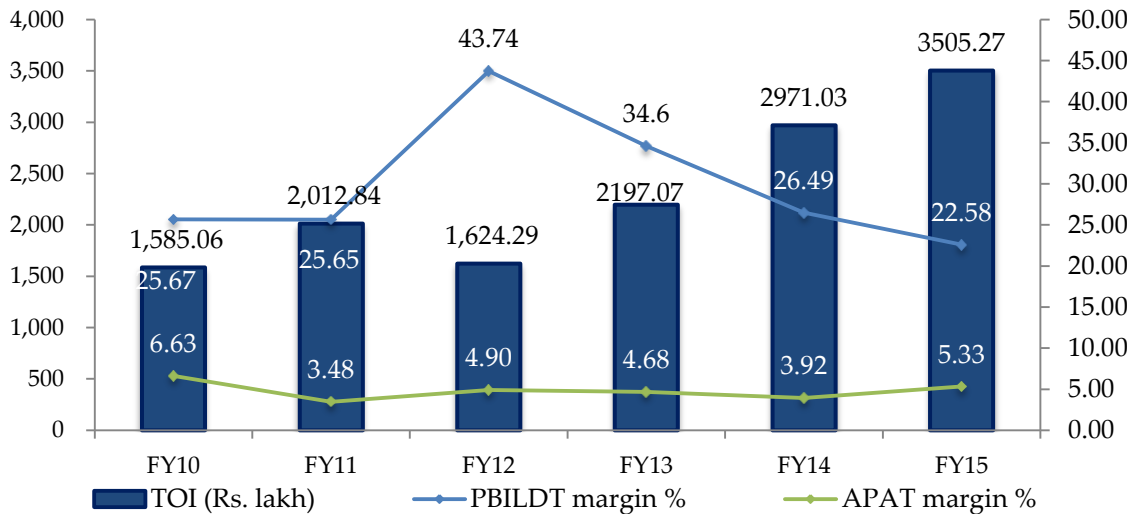
- SHL does not have a formal dividend policy. Furthermore, SHL has not paid any dividend in the past since the company has been ploughing back the entire profits in the business.

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

Period Ends on:	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015
Result Type:	Actual	Actual	Actual	Actual	Actual	Actual
KEY FINANCIAL RATIOS						
Growth Ratios						
Growth in Net sales	-13.70	26.99	-19.56	35.30	35.51	17.99
Growth in Total Operating Income	-13.76	26.99	-19.30	35.06	35.23	17.98
Growth in PBILDT	34.02	26.86	37.63	3.42	3.54	0.57
Growth in APAT	129.62	-33.34	13.75	28.97	13.45	60.22
Profitability Ratios						
Gross Margin	48.01	46.29	72.64	61.38	55.44	50.52
PBILDT Margin	25.67	25.65	43.74	34.60	26.49	22.58
PBIT Margin	18.73	18.35	32.31	25.60	19.36	15.46
OPBT Margin	8.90	6.10	9.07	8.11	6.75	6.95
OPAT Margin	5.90	3.27	4.86	4.78	3.93	3.13
APAT Margin	6.63	3.48	4.90	4.68	3.92	5.33
Operating ROCE	7.28	8.58	11.34	11.96	12.70	11.68
ROCE (Total)	7.71	8.76	11.39	11.96	12.70	11.68
RONW	11.49	6.63	6.53	7.18	7.57	11.34
Average Cost of Borrowings	5.25	8.52	12.03	12.44	13.53	11.22
Turnover Ratios						
Operating Capital Turnover Ratio	0.39	0.47	0.35	0.47	0.66	0.76
Fixed Assets Turnover Ratio	0.47	0.56	0.40	0.50	0.64	0.72
Working Capital Turnover Ratio	1.99	2.51	1.72	2.26	4.08	3.90
Average Raw Material Inventory Period	241	169	390	241	157	80
Average Finished Goods Inventory Period	13	10	9	0	19	37
Average Inventory Period (days)	182	134	201	143	111	91
Average Collection Period (days)	89	52	43	20	22	22
Average Creditors Period (days)	103	74	87	50	50	30
Working Capital Cycle (days)	169	112	202	114	83	83
Solvency Ratios						
Debt Equity Ratio	1.93	2.21	1.87	1.47	1.23	1.23
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	2.65	2.83	2.38	1.96	1.65	1.58
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	2.65	2.83	2.38	1.96	1.65	1.58
Adjusted Debt Equity Ratio	1.93	2.21	1.87	1.47	1.23	1.23
Adjusted Overall Gearing	2.65	2.83	2.38	1.96	1.65	1.58
Term Debt (including CPLTD) / Gross Cash Accruals	7.60	8.71	8.63	6.51	5.29	3.41
Total Debt / Gross Cash Accruals	10.41	11.15	10.98	8.65	7.11	4.39
Interest Coverage (PBILDT / Interest)	2.61	2.09	1.88	1.98	2.10	2.65
PBIT / Interest	1.91	1.50	1.39	1.46	1.54	1.82
Adjusted Interest Coverage	2.61	2.09	1.88	1.98	2.10	2.65
Current Ratio	1.09	1.09	1.49	1.09	0.84	1.34
Quick Ratio	0.55	0.60	0.76	0.45	0.37	0.68

FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis

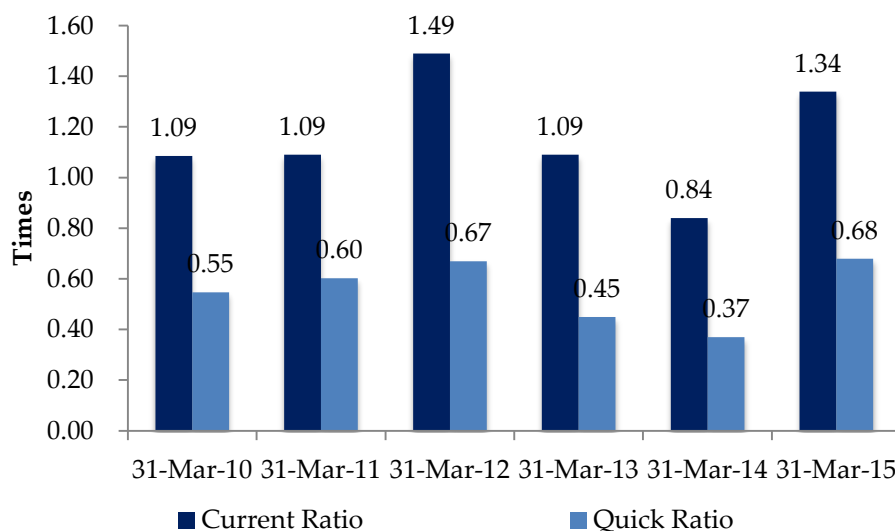


Comments:

- SHL is engaged in the manufacturing of pharmaceutical formulation products. The products of the company provide high value addition. The TOI grew at CAGR of 17.20% from Rs.1585.06 lakh in FY10 to Rs.3505.27 lakh in FY15 with the increase in product portfolio (aided by rising number of product registrations), and expansion of client base. The company registered around 47 products during FY14 (vis-a-vis 7 products in FY13).
- The PBILDT margins significantly improved from 25.65% in FY11 to 43.74% in FY12; due to execution on higher realization exports order received from Ghana. However, the PBILDT margin significantly declined from 34.60% in FY13 to 22.58% in FY15 owing to increasing price competition and a conscious decision to increase the scale of operations.
- PAT margin had improved despite decline in PBILDT margin (by 391 bps from 26.49% in FY14 to 22.58% in FY15) due to lower interest costs.
- SHL is focused on increasing the number of product registration in order to expand the share of exports segment (that has better realizations) which will improve its profitability margins going ahead. Furthermore, the company has planned to set up a lyophilisation facility which will enable SHL to bring a new product line having better realization which will further enhance their margins.

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS

Liquidity Analysis



Liquidity Ratio

Particulars	31 Mar 2013	31 Mar 2014	31 Mar 2015
Working Capital Turnover Ratio	2.26	4.08	3.90
Average Raw Material Inventory Period	241	157	80
Average Finished Goods Inventory Period	0	19	37
Average Inventory Period (days)	143	111	91
Average Collection Period (days)	20	22	22
Average Creditors Period (days)	50	50	30
Working Capital Cycle (days)	114	83	83

Comments:

SHL’s liquidity position is constrained marked by moderate current ratio, low quick ratio and high level of utilization of its working capital limit. While the current ratio was at 1.34 times, its quick ratio remained low at 0.68 times as on March 31, 2015.

The operations of SHL are working capital intensive in nature (with around 95% average utilization of cash credit limit of Rs.700 lakh during the twelve months ending January 2015) since considerable funds are blocked in inventory.

The average inventory holding period stood at 91 days in FY15 (compared to 111 days in FY14), since SHL follows raw material inventory holding policy for the period of two months in order to timely meet demand from the clients for various product offerings, as the entire manufacturing process of takes up to 45 days; due to the same reason WIP inventory level is also quite high.

SHL’s total receivables outstanding as on March 31, 2015 consist of debtors from both the direct sales (about 58% of the total debtors) as well as contract manufacturing sales segment (around 42% of the

total debtors). The company receives up to 60 percent of the payment in advance from the contract manufacturing clients. Further, SHL offers credit period of around 45 to 60 days to the domestic customers (mainly the deemed exporters) and receives up to 30% advance payment from the overseas customers while booking the exports order. Over the years the company has significantly improved its receivables management thereby the average receivables period stood stable at 22 days in FY15 (compared to 22 days in FY14).

SHL's trade payables include creditors for goods (primarily the amount due to the suppliers of raw materials). The average creditor's period stood at 30 days in FY15 (compared to 50 days in FY14) as SHL has been offered credit period of up to 30 days to make payment against purchases.

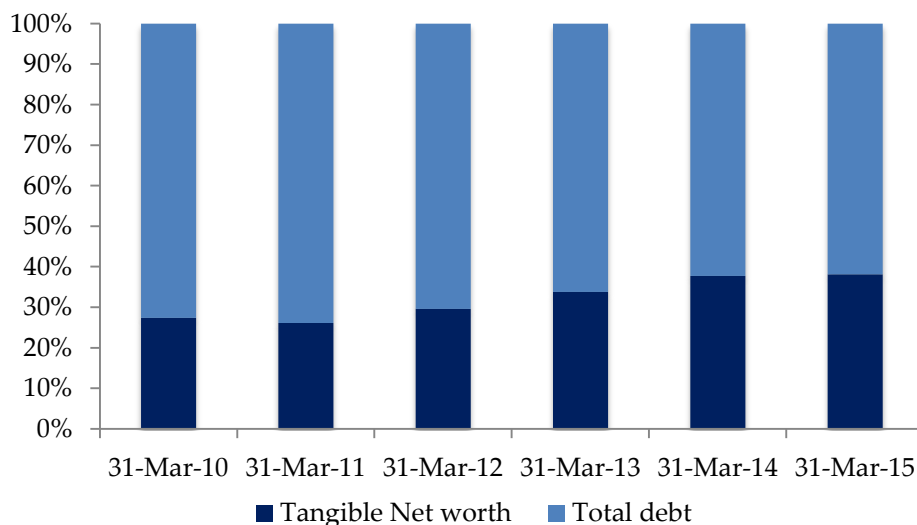
The cash flow from operating activities was positive, the unencumbered cash & bank balance was around Rs.93.32 lakh as on March 31, 2015.

Average monthly fund-based working capital utilization level

Moths	Sanctioned limit (Rs. lakh)	Drawing power (Rs. lakh)	Maximum monthly utilization (Rs. lakh)	Average monthly utilization (Rs. Lakh)	Maximum monthly utilization (%)	Average monthly utilization (%)
Feb 14	700.00	700.00	693.99	681.22	99.14	97.32
Mar 14	700.00	700.00	695.69	674.26	99.38	96.32
Apr 14	700.00	700.00	695.46	673.23	99.35	96.18
May 14	700.00	700.00	699.07	675.91	99.87	96.56
June 14	700.00	700.00	695.81	640.01	99.40	91.43
July 14	700.00	700.00	672.67	633.50	96.10	90.50
Aug 14	700.00	700.00	689.62	678.79	98.52	96.97
Sept 14	700.00	700.00	698.56	681.75	99.79	97.39
Oct 14	700.00	700.00	698.62	683.05	99.80	97.58
Nov 14	700.00	700.00	697.58	672.47	99.65	96.07
Dec 14	700.00	700.00	682.59	646.99	97.51	92.43
Jan 15	700.00	700.00	651.24	636.01	93.03	90.86

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY

Capital Structure



Capital Structure Ratio

Particulars	31 Mar 2013	31 Mar 2014	31 Mar 2015
Debt Equity Ratio	1.47	1.23	1.23
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.96	1.65	1.58
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	1.96	1.65	1.58
Adjusted Debt Equity Ratio	1.47	1.23	1.23
Adjusted Overall Gearing	1.96	1.65	1.58
Average Cost of Borrowings	12.44	13.53	11.22
Total Outside Liabilities to Net worth	2.15	2.00	1.69

Comments:

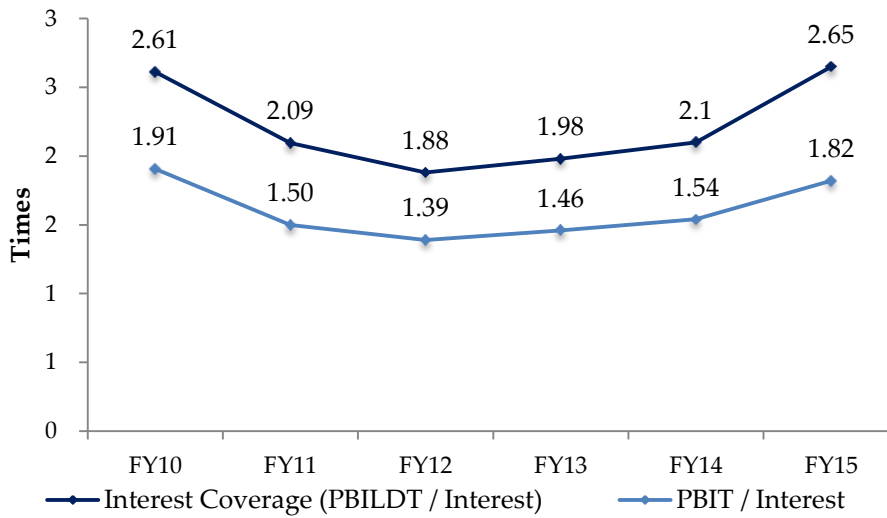
The long term debt level seems to be moderate marked by debt equity ratio of 1.23 times as on March 31, 2015. The debt equity ratio has improved during the past three years from 1.47 times as on March 31, 2013 to of 1.23 as on March 31, 2015, mainly on account of repayment of rupee term loan and lower utilization of cash credit limit.

The overall gearing level was moderately high at 1.58 times as on March 31, 2015 (compared to 1.65 times as on March 31, 2015); mainly due to dependence on long term borrowing (rupee term loan & unsecured loan from promoters) to fund expansion of manufacturing facility, and cash credit limit availed to fund its the working capital requirements. With moderately high gearing level and average creditors period at 30 days as on March 31, 2015; the total outside liabilities as compared to total net worth remained moderate at 2.15 times as on March 31, 2015.

Furthermore, comfort can be drawn to an extent as unsecured loan from the promoter (worth Rs.776.24 lakh outstanding as on March 31, 2015) forms around 29% of the total debt outstanding; and the same is subordinated to bank debt (as per bank sanction letter dated January 19, 2015) thereby the adjusted debt to equity ratio and overall gearing level stood comfortable at 0.45 times and 0.77 times respectively as on March 31, 2015.

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS

Debt Coverage



Comments:

With the high level of debt utilization, the debt coverage indicators of SHL stood weak marked by total debt to GCA of 4.39 times as on March 31, 2015 (compared to 7.11 times as on March 31, 2014) and interest coverage of 2.65 times during FY15 (compared to 2.10 times during FY14).

However comfort can be drawn to an extent as unsecured loan from the promoter (worth Rs776.24 lakh outstanding as on March 31, 2015) forms around 29% of the total debt outstanding; and the same is subordinated to bank debt (as per bank sanction letter dated January 19, 2015) thereby the adjusted total debt to GCA stood moderate at 3.11 times as on March 31, 2015.

BANKERS & AUDITORS DUE DILIGENCE

Stake holder		Feedback
Bankers & Lenders - State Bank of India	Mr Jitesh Agarwal,	Satisfactory
	Manager	
	(0 79) 2642 0277	
	July 2, 2015	
Auditors M/s A. L. Thakkar & Co., Ahmedabad	Mr Sanjiv Shah	Satisfactory
	Partner	
	June 26, 2015	

Remarks

- The account is regular with the State Bank of India.
- Repayment schedule of term loan has been mentioned below; however the outstanding amount of the term loan has not been furnished by the banker.
 - TL-I: First 51 installments of Rs.0.75 lakh each, next 8 installments of Rs.0.94 lakh each, last installment of Rs.0.93 lakh
 - TL-II: First 39 installments of Rs.2 lakh each, next 8 installments of Rs.5 lakh each, last 33 installments of Rs.7.37 lakh each
 - TL-III: First 39 installments of Rs.2 lakh each, next 8 installments of Rs.5 lakh each, last 33 installments of Rs.7.37 lakh each
 - TL-IV: First 3 installments of Rs.1.55 lakh each, next 12 installments of Rs.3 lakh each, next 24 installments of Rs.10 lakh each, next 12 installments of Rs.11 lakh each, last 9 installments of Rs.10 lakh each

Changes in the auditors

- M/s. Shah & Dalal, Chartered Accountants were the statutory auditors of the company till F.Y.2012-13. M/s. A. L. Thakkar & Co., Chartered Accountants have been appointed as the statutory auditors from F.Y.2013-14.

Key Findings

Key Findings	Company Comment	CARE Comment
<p>High Reliance on Promoter Family in key decision making</p> <p>Majority of the critical decisions in the company are being taken by the promoter family.</p> <p>Moreover, majority of the orders received in contract manufacturing has been received on account of its relationship with the top management developed over the past few years.</p> <p>Average experience of second line of management with the company has been ~16 years, and its ability to quickly integrate with the company will be critical.</p>	<p>As per discussion, with the management, the company is recruiting professional with industry experience for various function within the organization.</p> <p>Moreover the company is also training second generation of the family, with relevant experience to play an active role in the company.</p>	<p><i>Based on CARE's discussion with the promoters it can be stated that succession planning being undertaken with second generation of family is satisfactory.</i></p>
<p>Fluctuation in utilization of installed capacity across various lines of business</p> <p>Capacity utilization of oral liquids declined from 73% in FY12 to 62% in FY13, while that of tablets and capsules B-lactum fluctuated from 43% in FY12 to 61% in FY13 to 46% in FY14.</p> <p>Capacity utilization of liquid injectibles-ampoules also fluctuated from 45% in FY12 to 29% in FY13, further increased to 75% in FY14.</p>	<p>The management has cited that, the company in the past has been receiving orders primarily from its contract manufacturing division based on demand in the market, which has led to fluctuation in capacity utilized for various lines of business.</p> <p>Moreover, the management has added that, the company is planning to discuss the contract terms with various large pharmaceutical companies to ensure consistent demand across all lines of business.</p>	<p><i>CARE believes that the overall demand for various products has been healthy which is evident from increasing sales; however, the utilization of capacity shall be consistent.</i></p> <p><i>CARE believes, that once the company re-negotiates the terms of contracts with various players and is able to receive commitment for specific line of business, it will be able to further utilize the un-utilized capacity towards own manufacturing and thereby lead to better planning and execution for the company.</i></p>
<p>Low utilization of facility during site visit (undertaken on June 24, 2015)</p>	<p>The management has indicated, that the company generally has a lower utilization during the monsoon season since the required production of antibiotics is undertaken in the previous months, keeping in the view the onset of monsoon period during which demand of drugs increases.</p>	<p>The demand for antibiotic products is generally more during the monsoon season, for which the company has already manufactured the products during pre-monsoon months. Thereby the capacity utilization level was low.</p>

Key Findings	Company Comment	CARE Comment
<p>High Utilization of Working Capital Facilities The operations of SHL are working capital intensive in nature (with around 95% average utilization of cash credit limit of Rs.700 lakh during the twelve months ending January 2015). The average inventory holding period stood at 91 days in FY15 (compared to 111 days in FY14).</p>	<p>SHL follows raw material inventory holding policy for the period of two months in order to timely meet demand from the clients for various product offerings, as the entire manufacturing process takes up to 45 days; due to the same reason WIP inventory level is also quite high. Thereby considerable funds are blocked in inventory leading to working capital intensive nature of operation. since considerable funds are blocked in inventory.</p>	<p><i>CARE understands that, since the company has to ensure timely delivery of products to its clients in own manufacturing division, the company has to stock high raw material inventory. Due to lack of consistency in supplies by suppliers, the company has to maintain healthy stock of raw material, Moreover, the average inventory holding period is expected to further increase with the increasing focus on own manufacturing business and setting up of Lyophilisation facility.</i></p>
<p>Unsecured loans of Rs.460.45 lakh outstanding in BS of FY13 includes loans from Cholamandalam DBS Finance of Rs.262.38 lakh which are considered as USL from members</p>	<p>SHL has clarified that since the same was taken by the promoter in individual capacity and same was given to the entity as USL, however, auditor has directly classified the same in the name of Cholamandalam DBS Finance.</p>	<p><i>Such error depicts weak internal controls and financial discipline followed by the company.</i></p>
<p>Gaps in Management Information System Moreover, as per discussion with the management, CARE have understood that the company does not maintain segment-wise or product wise profitability figures.</p>	<p>The management has cited that the company is in process of developing systems to capture profitability across various segments of business.</p>	<p><i>We understand that due to small set-up, the management systems are moderately weak and may need further improvement.</i></p>
<p>Change in Auditor M/s. Shah & Dalal, Chartered Accountants were the statutory auditors of the Company till F.Y. 2012-13. M/s. A. L. Thakkar & Co., Chartered Accountants have been appointed as the Statutory Auditors from F. Y. 2013-14.</p>	<p>The company has not provided any clarification on the same.</p>	<p align="center">-</p>
<p>It is critical for the company to receive orders continually from its existing customers who are leading pharmaceutical companies. Contract manufacturing is a critical segment of its business, as it provides the company the necessary cushion to grow further. Moreover, it also provides the necessary comfort in regards to the quality</p>	<p>SHL doesn't foresee any gap in the orders from its existing customers. The confidence of the company stems from its strong and long relationship based on quality of its supplies and timely delivery.</p>	<p><i>CARE believes the management has a healthy relationship with the clients and the company can leverage this relationship to further develop its product range. Thus CARE believes that likelihood of continuity in orders from the existing customers is high.</i></p>

Key Findings	Company Comment	CARE Comment
<p>of the products and the various compliances meet at the unit. We were unable to undertake a due diligence/ customer interaction with majority of the representative at the customer location.</p>		
<p>High Reliance on Cadila Healthcare Ltd. Under contract manufacturing, the company has a major concentration towards Cadila Healthcare Ltd. (CHL; forming ~50% of the overall contract manufacturing sales as on March 31, 2014).</p>	<p><i>SHL is focused on increasing the number of product registration in order to support its exports and direct domestic segments. This is expected to reduce the reliance on a single major client going ahead.</i></p>	<p><i>The company has been gradually reducing its concentration on CHL, by focusing on own manufacturing business. In addition, the counter-party risk is mitigated to an extent due to reputed and healthy credit profile of the Cadila which has international presence as well..</i></p>
<p>Fluctuation in realizations earned from various product segments The average price realization of dry syrup B-lactum. / sachet fluctuated from Rs. 4.14 per unit in FY12 to Rs. 61.76 per unit in FY13, however it declined to Rs. 19.79 per unit in FY14. Moreover, the price realization of Dry Powder Injection – Cephalosporin product segment also fluctuated from Rs. 10.26 per unit in FY13 to Rs. 3.55 per unit in FY14, which subsequently increased to Rs. 18.00 per unit in 9MFY15</p>	<p>The company has not provided any clarification on the same.</p>	<p><i>CARE believes the product wise realization numbers have remained quite fluctuating over the years as SHL undertakes contract manufacturing orders involving variation in product mix required by the clients.</i></p>

Annexure- I Product registration details

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
1	Bolivia	CETICAD	Cetirizine Hydrochloride Syrup	Syrup	5 mg/5 ml	Anti-histamines
2	Bolivia	FRUDIS	Furosemide Injection BP	Injection	20 mg/2 ml	Diuretics
3	Bolivia	SEFIXI 100	Cefixime For Oral Suspension USP	Dry Suspension	100 mg/5 ml	Antibiotics
4	Bolivia	SAKARIN 25000	Heparin Injection BP	Injection	5000 IU/ml	Anti coagulants
5	Bolivia	DICLOFENACO-75	Diclofenac Sodium Injection	Injection	25 mg/ml	Anti inflammatory
6	Bolivia	SERGal	Hyoscine Butylbromide Injection BP	Injection	20 mg/ml	Anti spasmodic
7	Bolivia	VARMIKA 500	Amikacin Injection BP	Injection	500mg/2ml	Antibiotics
8	Burkina Faso	SAROVIT SYRUP	Multivitamin Syrup	Syrup	-	Multivitamin
9	Burkina Faso	CETICAD	Cetirizine Hydrochloride Syrup	Syrup	5 mg/5 ml	Anti-histamines
10	Burkina Faso	CEFROTIL 500	Cefuroxime Axetil Tablets BP	Tablet	500 mg	Antibiotics
11	Burkina Faso	DEXORICH	Hematinic Syrup of Iron, Folic acid & Vitamin B 12	Syrup	(160 mg +7.5 mcg +0.5 mg) per 15 ml	Antianemic
12	Burkina Faso	LORKOF	Salbutamol Sulphate, Bromhexine HCL, Guaiphenesin syrup	Syrup	(2 mg + 4 mg + 100 mg) per 10 ml	Bronchodilators
13	Cambodia	OMARA D	Omeprazole Delayed Release Capsules USP 20 mg	Capsule	20 mg	Anti ulcer
14	Cambodia	FLOMIN 200	Ofloxacin Tablets	Tablet	200 mg	Antibiotics
15	Cambodia	NOVOFLAM - Plus	Aceclofenac & Paracetamol Tablets	Tablet	100 mg + 500 mg	NSAID's
16	Cambodia	BENYCOF	Diphenhydramine HCl, Ammonium Chloride, Sodium Citrate & Menthol Syrup	Syrup	(14.08 mg +138 mg +57.3 mg +1.14 mg) per 5 ml	Cough and cold preparation
17	Cambodia	ZYBEND	Albendazole Oral Suspension USP	Suspension	200 mg/5 ml	Anthelmintic
18	Cambodia	CETICAD	Cetirizine Dihydrochloride Syrup	Syrup	5 mg/5 ml	Anti-histamines
19	Cambodia	SEPY	Cefpodoxime Proxetil for Oral Suspension USP	Dry Suspension	50 mg/5 ml	Antibiotics
20	Cambodia	SEFIXI 200	Cefixime Tablets USP	Tablet	200 mg	Antibiotics

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
21	Cambodia	SEPY-O-200	Cefpodoxime Proxetil Tablets USP	Tablet	200 mg	Antibiotics
22	Cambodia	REDAMOX 625	Amoxicilin and Potassium Clavulanate Tablets BP	Tablet	625 mg	Antibiotics
23	Cambodia	CEFTRICOZ	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
24	DR Congo	SULBACEF	Ceftriaxone and Salbactam for Injection	For Injection	1000 mg + 500 mg	Antibiotics
25	DR Congo	MO-SETRON	Ondansetron Injection USP	Injection	2mg/ml	Anti-emetic
26	DR Congo	MODROX	Cefadroxil for Oral Suspension USP	Dry Suspension	250 mg/5 ml	Antibiotics
27	DR Congo	HAEMATONE	Hematinic Syrup of Iron, Folic acid & Vitamin B 12	Syrup	(160 mg +7.5 mcg +0.5 mg) per 15 ml	Antianemic
28	El Salvador	Generic name	Diclofenac Sodium Injection	Injection	25 mg/ml	Anti inflammatory
29	El Salvador	Generic name	Gentamycin Sulphate Injection	Injection	40 mg/ml	Antibiotics
30	Ethiopia	FRUDIS	Furosemide Injection BP	Injection	20 mg/2 ml	Diuretics
31	Ethiopia	DEXA	Dexamethasone Sodium Phosphate Injection BP	Injection	4 mg/ml	Corticosteroids
32	Ethiopia	HYOCIN	Hyoscine Butylbromide Injection BP	Injection	20 mg/ml	Anti spasmodic
33	Ethiopia	GENTACIN	Gentamycin Sulphate Injection	Injection	80 mg/2ml	Antibiotics
34	Ethiopia	E-DOL	Tramadol HCl Injection	Injection	50 mg/ml	Analgesic
35	Gabon	ZYBEND	Albendazole oral suspension USP	Suspension	200mg/5ml	Anthelmintic
36	Gabon	PARABUFEN	Ibuprofen and Paracetamol Suspension	Suspension	100+162.5mg/5ml	NSAID's
37	Gabon	Serovit syrup	Multivitamin syrup	Syrup	-	Multivitamin
38	Gabon	REDAMOX 312.5	Amoxicillin and Clavulanate Potassium for Oral Suspension USP	Dry Suspension	312.5 mg/5ml	Antibiotics
39	Gabon	SEFIXI 1000	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
40	Gabon	E-DOL	Tramadol HCl Injection	Injection	50 mg/ml	Analgesic
41	Ghana	PRICEF 1 g	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
42	Guinee	REDAMOX 312.5	Amoxicillin and Clavulanate Potassium for Oral Suspension USP	Dry Suspension	312.5 mg/5ml	Antibiotics
43	Guinee	REDAMOX 625	Amoxicilin and Potassium Clavulanate Tablets BP	Tablet	625 mg	Antibiotics
44	Guinee	PARABUFEN	Ibuprofen and Paracetamol Suspension	Suspension	100+162.5 mg	NSAID's
45	Guinee	LORKOF	Salbutamol Sulphate, Bromhexine HCL, Guaiphenesin syrup	Syrup	(2 mg + 4 mg + 100 mg) per 10 ml	Bronchodilators

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
46	Guinee	DEXORICH	Hematinic Syrup of Iron, Folic acid & Vitamin B 12	Syrup	(160 mg +7.5 mcg +0.5 mg) per 15 ml	Antianemic
47	Guinee	ZYBEND	Albendazole Oral Suspension USP	Suspension	200 mg/5 ml	Anthelmintic
48	Guinee	CETICAD	Cetirizine Hydrochloride Syrup	Syrup	5 mg/5 ml	Anti-histamines
49	Ivory Coast	PARABUFEN	Ibuprofen and Paracetamol Suspension	Suspension	100+162.5 mg	NSAID's
50	Ivory Coast	DEXORICH	Hematinic Syrup of Iron, Folic acid & Vitamin B 12	Syrup	(160 mg +7.5 mcg +0.5 mg) per 15 ml	Antianemic
51	Ivory Coast	ZYBEND	Albendazole Oral Suspension USP	Suspension	200 mg/5 ml	Anthelmintic
52	Ivory Coast	SAROVIT SYRUP	Multivitamin Syrup	Syrup	-	Multivitamin
53	Ivory Coast	LORKOF	Salbutamol Sulphate, Bromhexine HCL, Guaiphenesin syrup	Syrup	(2 mg + 4 mg + 100 mg) per 10 ml	Bronchodilators
54	Ivory Coast	CETICAD	Cetirizine Hydrochloride Syrup	Syrup	5 mg/5 ml	Anti-histamines
55	Ivory Coast	LARTRM	Artemether Injection	Injection	80 mg/ml	Anti malarial
56	Ivory Coast	SEFTRIAX - 1000	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
57	Ivory Coast	TRAMAS	Tramadol HCl Injection	Injection	50 mg/ml	Analgesic
58	Ivory Coast	SAKARIN 25000	Heparin Injection BP	Injection	5000 IU/ml	Anti coagulants
59	Ivory Coast	ONDI	Ondansetron injection USP	Injection	2 mg/ml	Anti-emetic
60	Ivory Coast	NERVIT	Multi Vitamin Injection	Injection	-	Multivitamin
61	Kenya	CADEX COUGH SYRUP	Bromohexine HCl, Ammonium Chloride, Menthol	Syrup	(4 mg + 5 mg + 50 mg + 2.5 mg) per 5 ml	Cough preparation
62	Kenya	ZYNTUS-D Cough Syrup	Dextromethorphan HCl, Bromohexine HCl, Chlorpheniramine Maleate	Syrup	(5 mg + 4 mg + 2 mg) per 5 ml	Cough and cold preparation
63	Kenya	ONACOF Syrup	Salbutamol, Bromohexine HCl, Guanphenesin, Menthol	Syrup	(1 mg +2 mg +50 mg +0.5 mg) per 5 ml	Bronchodilators
64	Malawi	SAMERO 1 g	Meropenem For Injection USP	For Injection	1000 mg	Antibiotics
65	Malawi	SEFIXI 1000	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
66	Malawi	CEFROTIL 750	Cefuroxime for Injection USP	For Injection	750 mg	Antibiotics
67	Malawi	E-DOL	Tramadol HCl Injection	Injection	50 mg/ml	Analgesic
68	Myanmar	REDAMOX 375	Amoxycilin and Potassium Clavulanate Tablets BP	Tablet	375 mg	Antibiotics

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
69	Myanmar	REDAMOX 625	Amoxicilin and Potassium Clavulanate Tablets BP	Tablet	625 mg	Antibiotics
70	Myanmar	CEFAX 500	Cefalexin Capsules BP	Capsule	500 mg	Antibiotics
71	Myanmar	SEFIXI 200	Cefixime Tablets USP	Tablet	200 mg	Antibiotics
72	Myanmar	SILPEN 1000	Imipenem and Cilastatin For Injection USP	For Injection	1000 mg	Antibiotics
73	Myanmar	CEFAX 250	Cefalexin Capsules BP	Capsule	250 mg	Antibiotics
74	Myanmar	ZYBEND	Albendazole Oral Suspension USP	Suspension	200 mg/5 ml	Anthelmintic
75	Nigeria	SEFZITIL suspension	Cefuroxime Axetil for Oral Suspension USP	Dry Suspension	125 mg/5ml	Antibiotics
76	Nigeria	AUGCLAV 625	Amoxicillin and Clavulanate Potassium Tablets USP	Tablet	625 mg	Antibiotics
77	Nigeria	AUGCLAV 312.5	Amoxicillin and Clavulanate Potassium for Oral Suspension USP	Dry Suspension	312.5 mg/5ml	Antibiotics
78	Nigeria	OLMETHER	Artemether Injection	Injection	40 mg/ml	Anti malarial
79	Nigeria	GLAWIN	Pentazocine Injection BP	Injection	30 mg/ml	Analgesic
80	Nigeria	KEEF suspension	Cefuroxime Axetil for Oral Suspension USP	Dry Suspension	250 mg/ 5 ml	Antibiotics
81	Nigeria	CESART 200	Cefpodoxime Proxetil capsule USP	Capsule	200 mg	Antibiotics
82	Nigeria	SKYCIPI 500	Cefuroxime Axetil Tablets BP	Tablet	500 mg	Antibiotics
83	Nigeria	PARANEROS	Paracetamol Injection	Injection	150 mg per ml	Analgesic
84	Nigeria	TIMEC NISTAN	Nystatin Oral Suspension USP	Suspension	100000 IU/5ml	Antifungal
85	Nigeria	KFC-P	Pentazocine Injection BP	Injection	30 mg/ml	Analgesic
86	Nigeria	MALMENTIN 625	Amoxicillin and Clavulanate Potassium Tablets USP	Tablet	625 mg	Antibiotics
87	Nigeria	NOPRAZ	Pentazocine Injection BP	Injection	30 mg/ml	Analgesic
88	Nigeria	SKYMOX 625	Amoxicillin and Clavulanate Potassium Tablets USP	Tablet	625 mg	Antibiotics
89	Nigeria	PENTAFORT	Pentazocine Injection BP	Injection	30 mg/ml	Analgesic
90	Philippines	SAKARIN 5000	Heparin Injection BP	Injection	25000 IU	Anti coagulants
91	Philippines	SAKARIN 25000	Heparin Injection BP	Injection	5000 IU/5 ml	Anti coagulants
92	Philippines	TERCEF 200	Cefixime Capsule 200 mg	Capsule	200 mg	Antibiotics
93	Srilanka	CEFROTIL Suspension	Cefuroxime Axetil For Oral Suspension USP	Dry Suspension	125 mg/5ml	Antibiotics
94	Srilanka	CEFROTIL-250	Cefuroxime Axetil Tablets BP	Tablet	250 mg	Antibiotics

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
95	Srilanka	CEFROTIL-500	Cefuroxime Axetil Tablets BP	Tablet	500 mg	Antibiotics
96	Uganda	PROZINE	Promethazine Injection BP	Injection	25 mg/ml	Anti-histamines
97	Uganda	DEXA	Dexamethasone Sodium Phosphate Injection BP	Injection	4 mg/ml	Corticosteroids
98	Uganda	LARTRM	Artemether Injection	Injection	80 mg/ml	Anti malarial
99	Uganda	QUINS	Quinine Dihydrochloride Injection	Injection	300 mg/ml	Anti malarial
100	Uganda	HYOCIN	Hyoscine Butylbromide Injection BP	Injection	20 mg/ml	Anti spasmodic
101	Uganda	CEFAX-250	Cefalexin Capsules BP	Capsule	250 mg	Antibiotics
102	Uganda	SEFIXI-50 Dry Syrup	Cefixime For Oral Suspension USP	Dry Suspension	50 mg/5 ml	Antibiotics
103	Uganda	CEFAX-250 Dry Syrup	Cefalexin Oral Suspension BP	Dry Suspension	250 mg/5ml	Antibiotics
104	Uganda	CEFROTIL	Cefuroxime Axetil Tablets BP	Tablet	500 mg	Antibiotics
105	Uganda	CEFROTIL Suspension	Cefuroxime Axetil For Oral Suspension USP	Dry Suspension	125 mg/5ml	Antibiotics
106	Uganda	ONDI	Ondansetron Injection USP	Injection	2 mg/ml	Anti-emetic
107	Uganda	REDAMOX 312.5	Amoxicilin and Clavulanate Potassium Suspension USP	Dry Suspension	312.5 mg/5ml	Antibiotics
108	Uganda	REDAMOX 156	Amoxicilin and Clavulanate Potassium Suspension USP	Dry Suspension	156 mg/5ml	Antibiotics
109	Uganda	DIAPAM	Diazepam Injection BP	Injection	5 mg/ml	Anxiolytics
110	Uganda	ARTEES	a-b Arteether Injection	Injection	75 mg/ml	Anti malarial
111	Uganda	VARMIKA 500	Amikacin Injection BP	Injection	500 mg/2ml	Antibiotics
112	Uganda	GENTACIN	Gentamycin Sulphate Injection	Injection	40 mg/ml	Antibiotics
113	Vietnam	SEPY-O-100	Cefpodoxime Proxetil Tablets USP	Tablet	100 mg	Antibiotics
114	Vietnam	SEPY-O-200	Cefpodoxime Proxetil Tablets USP	Tablet	200 mg	Antibiotics
115	Vietnam	REDAMOX 156	Amoxicillin and Clavulanate Potassium for Oral Suspension USP	Dry Suspension	156 mg/5ml	Antibiotics
116	Vietnam	CEFAX 250	Cefalexin Capsules BP	Capsule	250 mg	Antibiotics
117	Vietnam	CEFAX 500	Cefalexin Capsules BP	Capsule	500 mg	Antibiotics
118	Yemen	RIDADAX	Dexamethasone Sodium Phosphate Injection BP	Injection	4 mg/ml	Corticosteroids
119	Yemen	RIDOXIM 250	Cefuroxime Axetil Tablets BP	Tablet	250 mg	Antibiotics

Sr. No.	Country of registration	Dossier brand name	Generic Name	Dosage	Strength	Therapeutic category
120	Yemen	RIDOXIM 500	Cefuroxime Axetil Tablets BP	Tablet	500 mg	Antibiotics
121	Yemen	RIDAMOL	Paracetamol & Lignocaine HCl Injection	Injection	150 mg + 10 mg	Analgesic
122	Tajikistan	SEFIXI 1000	Ceftriaxone For Injection USP	For Injection	1000 mg	Antibiotics
123	Tajikistan	SEFOXIM 1000	Cefotaxime For Injection USP	For Injection	1000 mg	Antibiotics

Annexure II Details of shareholding of promoters

Date of allotment / transfer	No. of equity shares	Face value per equity share (Rs.)	Issue/ acquisition/ transfer price (Rs.)	Nature of consideration	Nature of transaction	Pre-issue shareholding percentage	Post-issue shareholding percentage	Lock-in period	Source of promoter contribution
Mr. Sanjay S. Shah									
March 26, 2004	5,000	10	10	Cash	Subscription to MOA	0.06%	0.04%	3 Years	Income/ Savings
August 06, 2004	1,77,500	10	10	Cash	Further Allotment	2.22%	1.57%	3 Years	Income/ Savings
April 07, 2006	1,75,000	10	10	Cash	Cash Purchase	2.19%	1.55%	3 Years	Income/ Savings
March 19, 2007	2,80,000	10	10	Cash	Further Allotment	3.50%	2.48%	3 Years	Income/ Savings
March 28, 2008	10,00,000	10	10	Cash	Further Allotment	12.50%	8.85%	3 Years	Income/ Savings
March 30, 2009	7,35,000	10	10	Cash	Further Allotment	9.19%	6.50%	3 Years	Income/ Savings
March 30, 2009	10,15,000	10	10	Cash	Further Allotment	12.69%	8.98%	1 Year	Income/ Savings
October 15, 2014	10,80,000	10	10	Cash	Purchase	13.50%	9.56%	1 Year	Income/ Savings
Total	44,67,500					55.84%	39.54%		
Ms. Rita S. Shah									
March 26, 2004	5000	10	10	Cash	Subscription to MOA	0.06%	0.04%	1 Year	Income/ Savings
August 06, 2004	1,77,500	10	10	Cash	Further Allotment	2.22%	1.57%	1 Year	Income/ Savings
April 07, 2006	1,60,000	10	10	Cash	Purchase	2.00%	1.42%	1 Year	Income/ Savings
March 19, 2007	2,80,000	10	10	Cash	Further Allotment	3.50%	2.48%	1 Year	Income/ Savings
March 28, 2008	10,00,000	10	10	Cash	Further Allotment	12.50%	8.85%	1 Year	Income/ Savings
March 30, 2009	2,50,000	10	10	Cash	Further Allotment	3.13%	2.21%	1 Year	Income/ Savings
March 20, 2014	(12,60,000)	10	10	Cash	Transfer / Sale	(15.75)%	(11.15)%	-	Income/ Savings
October 15, 2014	2,40,000	10	10	Cash	Purchase	3.00%	2.12%	1 Year	Income/ Savings
February 26, 2015	(6,07,500)	10	10	Cash	Transfer/ Sale	(7.59)%	(5.38)%	-	Income/ Savings
Total	2,45,000					3.06%	2.17%		
Mr. Aarsh Shah									
October 06, 2013	7,00,000	10	10	Cash	Purchase	8.75%	6.19%	1 Year	Income/ Savings
February 26, 2015	6,07,500	10	10	Cash	Purchase	7.60%	5.38%	1 Year	Income/ Savings
Total	13,07,500					16.34%	11.57%		

Annexure III Key financial parameters (Rs. lakh, unless otherwise stated)

Parameters	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	30-Sep-15
	Actual	Actual	Actual	Actual	Actual	Provisional
Working Results						
Total operating income	2,012.84	1,624.29	2197.07	2971.03	3505.27	1937.19
PBILDT	516.20	710.45	760.18	787.09	791.61	582.72
Interest	246.48	377.53	384.27	374.58	298.53	150.55
Depreciation	146.88	185.65	197.66	211.90	249.63	132.12
PBT	130.57	149.71	178.25	200.61	243.46	300.05
PAT after discontinuing operations	70.01	79.64	102.71	116.53	186.71	174.56
Gross cash accruals	269.29	298.25	335.34	370.61	612.99	369.17
Financial Position						
Equity share capital	800.00	800.00	800.00	800.00	800.00	800.00
Total debt	3,002.50	3,274.50	3,211.81	2,933.62	2,629.77	2395.16
Rupee term loan	1,767.84	2,018.58	1983.56	1551.27	1314.94	978.44
Working capital borrowing	658.26	700.26	719.83	671.99	596.83	645.72
Unsecured loan from promoters and related parties	576.40	555.66	198.07	410.36	776.24	771.00
Key Ratios						
Profitability (%)						
PBILDT / TOI	25.65	43.74	34.60	26.49	22.58	30.08
APAT / TOI	3.48	4.90	4.68	3.92	5.33	9.01
ROCE	8.76	11.39	11.96	12.70	11.68	18.24
RONW	6.63	6.53	7.18	7.57	11.34	20.35
Solvency (times)						
Debt equity ratio	2.21	1.87	1.47	1.23	1.23	2.04
Overall gearing (including Acceptances / Creditors on LC)	2.83	2.38	1.96	1.65	1.58	2.79
Adjusted overall gearing	2.83	2.38	1.96	1.65	1.58	2.79
Interest coverage (PBILDT / Interest)	2.09	1.88	1.98	2.10	2.65	3.87
Term debt/GCA	8.71	8.63	6.51	5.29	3.41	2.65
Total debt/GCA	11.15	10.98	8.65	7.11	4.39	6.49
Liquidity (times)						
Current ratio	1.09	1.49	1.09	0.84	1.34	1.33
Quick ratio	0.60	0.76	0.45	0.37	0.68	0.05
Avg. collection Period (days)	52	43	20	22	22	62
Avg. inventory (days)	134	201	143	111	91	133
Avg. creditors (days)	74	87	50	50	30	41
Operating cycle (days)	112	202	114	83	83	154

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401, Ashoka Scintilla, 3-6-520, Himayat Nagar, Hyderabad - 500 029.

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JAIPUR

304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302016.

Tel: +91-141-4020213 / 14

KOLKATA

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.), 10A, Shakespeare Sarani, Kolkata - 700 071.

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PUNE

9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411015.

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MALDIVES

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