



Director's Report

Dear Owners,

Your Directors hereby present their 27th Annual Report on the Standalone and Consolidated Audited Statement of Accounts of the Sharon Bio-Medicine Limited ["Company"] for the **nine months period ended March 31, 2016**.

FINANCIAL RESULTS

The Company has changed its financial period from existing 'July – June' to 'April – March' pursuant to provisions of Section 2(41) of the Companies Act, 2014. Hence, the current financial period of the Company consists of period of nine months starting from 1st July 2015 and ending on 31st March 2016.

The summarized financial performance of the Company for the nine months period ended 2015-16 and FY 2014-15 is given below:

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	2015-2016 (9 months)	2014-2015	2015-2016 (9 months)	2014-2015
Gross Income	25,540.41	83,658.66	25,540.41	84,109.69
Profit (Loss) Before Interest, Depreciation	(13,189.00)	(3,175.13)	(13,189.70)	(3,179.72)
Finance Charges	7,098.15	9,364.48	7,098.15	9,364.53
Provision for Depreciation	1,501.46	1,916.65	1,501.46	1,916.65
Net Profit Before Tax	(28,923.82)	(22,120.05)	(29,030.03)	(22,923.85)
Provision for Tax	996.57	466.36	996.57	466.36
Net Profit After Tax	(29,920.39)	(22,586.41)	(30,026.60)	(23,390.21)

REVIEW OF OPERATIONS

During the period under review, the Company has posted total Income of **Rs. 25,540.41 Lacs** (9 Months) as against **Rs. 84,109.69 Lacs** (12 Months) for the previous year..

Net Loss after Tax for the period under review was **Rs. (30,026.60) Lacs** as against Net Profit Loss after Tax of **Rs. (23,920.21) Lacs** in the previous year.

STATE OF AFFAIRS AND FUTURE OUTLOOK

As we have been communicating during the quarterly results updates, the Company's profitability has been impacted substantially due to outbreak of fire in the plant in 2014 which had its impact on meeting the demands of the market, hence we had to out source the manufacturing of products. During the process, quality of products got hampered and this led to rejection of goods from customers subsequently trailed by cancellation of our order books. Relationship with many of our customers were stressed due to quality issues and inability to execute orders on time. This had adversely affected our top line and operating margin resulting into heavy losses.

The Indian pharmaceuticals market is the third largest in terms of volume and thirteenth largest in terms of value. The country accounts for the second largest number of Abbreviated New Drug Applications (ANDAs) and is the world's leader in Drug Master Files (DMFs) applications with the US, as per a pharmaceuticals sector analysis report by equity master. The domestic formulations market, valued at approximately `88,000 crore has grown steadily at a CAGR of 10% over the past five years.



We have already received approval from the US FDA for our Formulation Unit based on the ANDA filing of “Memantine”. Company is focusing to introduce more profitable products in the regulated markets specifically US market. This will help company to achieve better growth with improved margins.

CONSOLIDATED FINANCIAL STATEMENTS:

The company has one Wholly-Owned Subsidiary in UAE in the name of “Yusur International, FZE”.

The audited consolidated accounts and cash flow statements, comprising of the company and all its subsidiary companies appear in this annual report together with the auditors' report on the consolidated accounts. The consolidated accounts have been prepared in accordance with the accounting standard prescribed by the Institute of Chartered Accountant of India.

As per clause 32 of the Listing Agreement / Regulation 34 of SEBI (LODR) Regulations, 2015, the consolidated financial statements of the company with its subsidiaries form part of the annual report. The copies of the audited annual accounts of the company's subsidiaries and other related documents can also be sought by any members of the Company or its subsidiaries on making a written request to the Company in this regard. The annual accounts of the subsidiary companies are also available for inspection by any member at the company's and/or the concerned subsidiaries' registered office.

SIGNIFICANT EVENTS DURING PERIOD ENDED 31ST MARCH, 2016

ii) DEBT RESTRUCTURING :-

Company's Debt was restructured under the JLF Mechanism in 2014-15. Meetings and discussions with banks took place during the period under review but no major changes were occurred.

iii) FOREIGN CURRENCY CONVERTIBLE BONDS :-

The company had issued 165 Nos. of Zero Coupon Foreign Currency Convertible Bonds of US\$ 1, 00,000 each aggregating to US\$ 16.5 Million on 27, November 2007. These Bonds are convertible Bonds at the option of bond holders into equity shares of Rs. 10/- each fully paid at the conversion price of Rs. 315/- per share initially but now conversion price has been reset to Rs. 228.04/- per share, subject to the terms of issue, with a fixed exchange rate of Rs. 39.15 equal to US\$ 1.00 within 5 years and 7 days from the date of issue. The bondholders have agreed to extend the bonds for the further period of 5 years. Bondholders have agreed to extend the period between one year to five years and interest to be paid between LIBOR + 3.50% - 5% per annum, as per the ECB guidelines. The bondholders have given their consent as stated above and the company authorize dealer has submitted the documents to Reserve Bank of India (RBI), accordingly. The Company is still in process of issue of new Bonds of US\$ 8.046 Million from 30, November 2013. However application for this B series bonds have been filed to RBI. These Bonds are convertible Bonds at the option of bond holders into equity share of Rs.2/- each fully paid at the conversion price of Rs.28.85/- per share, subject to the term of issue within 3 years from the date of issue.

iv) SHARE CAPITAL :-

A. Convertible Warrants :

The Company has issued 1,61,11,000 convertible warrants of Rs. 2/- each @ premium of Rs. 48/- per warrant during the financial year period ended 30.06.2015. Out of which 67,15,400 warrants were exchanged against 67,15,400 equity shares of Rs.2/- each @ premium of Rs. 48/- per share on 30.03.2015. Further, 66,51,300 warrants were exchanged against 66,51,300 equity shares of Rs.2/- each @ of Rs.48/- per share on 10.06.2015. A total of Rs.27,44,300 warrants are still pending for conversion.

B. Employees Stock Option Plan :

During the period under review, your Company has not granted any further options to any employees / Directors under Sharon ESOS 2010, as per **Annexure I** attached.



Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial period to which the financial statement relates and the date of the report pursuant to Section 134(3)(I)

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

DIVIDEND AND RESERVES

In view of the loss incurred by the Company, your Board of Directors are constrained to recommend any dividend for the period ended 31st March, 2016. Further, no dividend was declared in the previous financial year also.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

At the 26th Annual General Meeting held on 31st December, 2015, Mr. Lalit Misra was re-appointed as the Director of the Company, liable to retire by rotation.

Also, Ms. Savita Gowda and Mr. Lalit Misra were re-appointed as the Managing Director and Whole time Director of the Company at 26th Annual General Meeting held on 31st December, 2015.

Further, Mr. Mohan P. Kala and Mr. Madhav Sapre resigned as Directors of the Company w.e.f. 31st December, 2015.

In accordance with section 152(6) of the Companies Act, 2013 and in terms of Articles of Association of the Company Ms. Savita Gowda (DIN: 00042957), Director of the Company, retires by rotation and being eligible; offers herself for re-appointment at the forthcoming 27th Annual General Meeting. The Board recommends the said reappointment for shareholders' approval.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(3) (c) & 134(5) of the Companies Act, 2013, the Board of Directors of the Company hereby confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year period and of the profit and loss of the company for that period;
- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis; and
- e) the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 in respect of employees of the Company, is enclosed as **Annexure II** and forms part of this Report.

Further, as per the provisions specified in Chapter XIII of Companies (Appointment & Remuneration of Managerial Personnel) Amendment Rules, 2016 none of the employees of the Company are in receipt of remuneration exceeding Rs. 1,02,00,000/- per annum, if employed for whole of the period or Rs. 8,50,000/- per month if employed for part of the period.



Further, the names of top ten employees in terms of remuneration drawn are disclosed in **Annexure III** and forms part of this Report.

EXTRACT OF ANNUAL RETURN:

The details forming part of the Extract of the Annual Return in Form MGT-9, as required under Section 92 of the Companies Act, 2013 is included in this Report as **Annexure IV** and forms part of this Report.

NUMBER OF BOARD MEETINGS

A calendar of meetings is prepared and circulated in advance to the Directors. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and the Listing Agreement.

During the period **8(Eight) Board Meetings** were held during the period ended March, 2016, the dates which are 08th August, 2015, 29th August, 2015, 10th November, 2015, 5th January, 2016, 12th January, 2016, 12th February, 2016, 29th February, 2016 and 1st March 2016.

<i>Name of Director</i>	<i>No. of Board Meetings Attended</i>
Ms.Savita Gowda	8
Mr.Lalit Misra	8
*Mr.Mohan P. Kala	3
*Mr.Madhav Sapre	3
Ms. Nivedita Patil	8
Mr. Harish Palecanda	8

*Resigned w.e.f. 31/12/2015

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the Listing Agreement/ SEBI (LODR) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. The Directors expressed satisfaction with the evaluation process.

INDEPENDENT DIRECTORS

The Independent Director(s) have submitted their disclosure to the Board that they fulfill all the requirements as to qualify for their appointment as Independent Director, under the provisions of section 149 of the Companies Act, 2013 as well as Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

The Statement AOC-1 pursuant to the provisions of Section 129 (3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 regarding Subsidiary Company is enclosed as **Annexure V** to this Report.

STATUTORY AUDITORS' AND AUDITORS' REPORT

At the 25th Annual General Meeting held on 17th December, 2014, M/s. Shyam C. Agrawal & Co., Chartered Accountants were appointed as Statutory Auditors of the Company to hold office till the conclusion of the third consecutive Annual General Meeting to be held in the year period 2017. In the terms of the first provision to Section 139 of the Companies Act, 2013, the appointment of the Auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. Shyam C. Agrawal & Co., Chartered Accountants, as Statutory Auditors of the Company, is placed for ratification of the Shareholders. In this regard, the Company has received a Certificate from the Auditors to the effect that if they are reappointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.



Auditors' Report:

The Board has duly reviewed the statutory Auditors' Report on the Accounts. The observations and comments appearing in the Auditors' Report are self-explanatory and do not call for any further explanations/comments/clarification by the Board.

Cost Auditors:

The cost audit records maintained by the Company are required to be audited pursuant to the provisions of Section 148 of the Act read with the Companies (Cost Records and Audit) Amendment Rules, 2014. On the recommendation of the Audit Committee, M/s. Kasina & Associates, Practicing Cost Accountant, was appointed to conduct cost audit for the year period ended March 31, 2016.

SECRETARIAL AUDIT

In terms of Section 204 of the Act and Rules made there under, Neha Gupta, Practicing Company Secretaries, have issued the Secretarial Audit Report and the same is enclosed as **Annexure VI** to this report.

Explanation under Section 134(3)(f)(ii) of the Companies Act, 2013: The pending eforms as well as the composition of NRC shall be complied with in the current fiscal.

INTERNAL AUDIT & CONTROLS

The Company has in place adequate internal financial controls with reference to the financial statement. The Audit Committee of the Board periodically reviews the internal control systems with the management, Internal Auditors and Statutory Auditors. Significant internal audit findings are discussed and follow-ups are taken thereon.

The Company appointed M/s. Kala Deepak & Co., Chartered Accountants as Internal Auditors to conduct internal audit of the operations of the Company.

COMPOSITION OF AUDIT COMMITTEE

Your Company has formed an Audit Committee as per the Companies Act, 2013 and the listing agreement/ SEBI (LODR) Regulations, 2015. All members of the Audit Committee possess strong knowledge of accounting and financial management.

COMPOSITION OF NOMINATION & REMUNERATION COMMITTEE

Your Company has formed a Nomination & Remuneration Committee to lay down norms for determination of remuneration of the executive as well as non-executive directors and executives at all levels of the Company. The Nomination & Remuneration committee has been assigned to approve and settle the remuneration package with optimum blending of monetary and non-monetary outlay.

NOMINATION AND REMUNERATION POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors. This policy also lays down criteria for selection and appointment of Board Members. The Board of Directors is authorized to decide Remuneration to Executive Directors. The Remuneration structure comprises of Salary and Perquisites. Salary is paid to Executive Directors within the Salary grade approved by the Members

Sr. No.	Name of Director	Designation	Remuneration for nine months ended 31.03.2016 (In Rs.)
1.	Ms. Savita Gowda	Managing Director	2,475,000/-
2.	Mr. Lalit Misra	Executive Director	2,475,000/-

VIGIL MECHANISM

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company and the employees of the Company are made aware of the said policy at the time of joining the Company.



RISK MANAGEMENT POLICY

The Company has laid down the procedure to inform the Board about the risk assessment and minimization procedures. These procedures are reviewed by the Board annually to ensure that there is timely identification and assessment of risks, measures to mitigate them, and mechanisms for their proper and timely monitoring and reporting.

The Company does not fall under the ambit of top 100 listed entities, determined on the basis of market capitalization as at the end of the immediately preceding financial year. Hence, compliance under Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable.

DEPOSITS

During the period, your Company has not accepted any deposits under Section 76 of the Act (herein after referred to as the "Act") and as such, no amount on account of principal or interest on public deposits was outstanding as of March 31, 2016.

LOANS & GUARANTEES

During the period under review, the Company has not provided any loan, guarantee, and security or made any investment covered under the provisions of Section 186 of the Companies Act, 2013 to any person or other body corporate.

INSURANCE

The properties/assets of the Company are adequately insured.

RELATED PARTY TRANSACTIONS

As no related party transaction was entered into by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons pursuant the provisions of Section 188(1) of the Companies Act, 2013 during the period under review, the particulars as required in form AOC-2 have not been furnished.

MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with Regulation 34(3) read with Schedule V(B) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), Management Discussion and Analysis forms part of this Annual Report.

CORPORATE GOVERNANCE REPORT

In compliance with Regulation 34(3) read with Schedule V(C) of the Listing Regulations, a Report on Corporate Governance forms part of this Annual Report. The Auditors' certificate certifying compliance with the conditions of corporate governance as prescribed under Schedule V(E) of the Listing Regulations is annexed to the Corporate Governance Report.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

(a) Conservation of Energy:

(i) the steps taken or impact on conservation of energy:

Even though its operations are not energy-intensive, significant measures are taken to reduce energy consumption by using energy-efficient equipment. The Company regularly reviews power consumption patterns across all locations and implement requisite improvements/changes in the process in order to optimize energy/ power consumption and thereby achieve cost savings. Energy costs comprise a very small part of the Company's total cost of operations. However, as a part of the Company's conservation of energy programme, the management has appealed to all the employees/workers to conserve energy.



- (ii) the steps taken by the company for utilising alternate sources of energy;
The Company has not utilised any alternate sources of energy during the period under review.
- (iii) the capital investment on energy conservation equipment's.
There was no capital investment of any energy conservation during the period under review.

(b) Absorption of Technology:

I. The efforts made towards technology absorption:

The Company values innovation and applies it to every facet of its business. This drives development of distinctive new products, ever improving quality standards and more efficient processes.

The Company has augmented its revenues and per unit price realization by deploying innovative marketing strategies and offering exciting new products.

II. Benefits derived as a result of the above efforts:

As a result of the above, the following benefits have been achieved:

- a) Better efficiency in operations,
- b) Reduced dependence on external sources for technology for developing new products and upgrading existing products,
- c) Expansion of product range and cost reduction,
- d) Greater precision,
- e) Retention of existing customers and expansion of customer base,
- f) Lower inventory stocks resulting in low carrying costs.

III. The Company has not imported any technology during the year period under review;

IV. The Company has not expended any expenditure towards Research and Development during the year period under review.

(c) Foreign Exchange Earnings and Outgo:

(₹ in Lacs)

<i>Particulars</i>	2015-2016	2014-2015
A. CIF value of Goods Imported	717.80	843.61
B. Value of Goods Exported (FOB and service charges)	7950.04	9802.56
C. Marketing, Reimbursement, Traveling & Other Expenses	224.77	344.39

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

The Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

<i>Unclaimed / Unpaid dividend</i>	<i>Amount (in Rs.)</i>
F.Y.2008-09	83,990/-
F.Y.2009-10	72,923/-
F.Y.2010-11	67,947/-
F.Y.2011-12	72,779/-
F.Y.2012-13	57,968/-

Members are requested to note that after completion of seven years, no claims shall lie against the said fund or company for the amounts of dividend so transferred, nor shall any payment be made in respect of such claims.



CORPORATE SOCIAL RESPONSIBILITY

The Company does not meet the criteria of Section 135 of Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014; however the Board has constituted Corporate Social Responsibility Committee and the details of which are disclosed in the Corporate Governance Report.

OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the yearperiod Company has not received any complaint of harassment.

LISTING WITH STOCK EXCHANGE:

The Company confirms that it has paid the Annual Listing Fees for the yearperiod 2016-2017 to BSE and NSE where the Company's Shares are listed.

HUMAN RESOURCES

Your Company treats its “human resources” as one of its most important assets.

Your Company continuously invests in attraction, retention and development of talent on an ongoing basis. A number of programs that provide focused people attention are currently underway. Your Company thrust is on the promotion of talent internally through job rotation and job enlargement.

DETAILS OF ANY SIGNIFICANT AND MATERIAL ORDERS PASSED BY ANY REGULATORS OR COURTS OR TRIBUNALS THAT MAY IMPACT THE GOING CONCERN STATUS AND THE OPERATIONS OF THE COMPANY IN FUTURE

There are no significant and material orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

ACKNOWLEDGEMENTS

The Directors would like to thank all shareholders, customers, bankers, financial institutions, medical professionals, business associates, suppliers, distributors and everybody else with whose help, cooperation and hard work the Company is able to achieve the results. The Directors would also like to place on record their appreciation of the dedicated efforts put in by the employees of the Company.

For and on Behalf of the Board of Directors

Sd/-
Savita Satish Gowda
 Managing Director
 DIN No: 00042957

Sd/-
Lalit Misra
 Executive Director
 DIN No: 00033689

Place: Navi Mumbai
 Date: 11.08.2016