



Annexure to the Secretarial Audit Report

To,
The Members
SHARON BIO-MEDICINE LIMITED,

I further state that my said report of the even date has to be read along with this letter.

1. Maintenance of Secretarial/ Statutory Records is the responsibility of the Management of the Company. My responsibility is to express an opinion on these records based on the audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required I have obtained the Management representation about the compliance of laws, rules and regulations and happenings of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules and regulations, standard is the responsibility of management. My examination is limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For M/s. Neha Gupta, Company Secretaries

Place: Mumbai
Date: 11th Aug, 2016

A.C.S. No. 30523 C.P. No. 11093



Management Discussion & Analysis

This section shall include discussion on the following matters within the limits set by the listed entity's competitive position:

(a) **Pharmaceutical Industry Overview:**

Global pharmaceutical markets are in the midst of major discontinuities. While growth in developed market will slow down, emerging markets will become increasingly important in the upcoming decade. The Indian pharmaceutical along with markets of Brazil, China and Russia, will spearhead growth within these markets as per pharmaceutical and medical practice report by Mckinsey & Company. As per IMS, global spending on medicines is expected to reach \$1.4 trillion by FY 2020, representing an increase of 29- 32% from FY 2015. The drivers of this growth will be diverse. In developed markets, brands will be instrumental, while in the pharma emerging markets it will be driven by better usage and offset by patent expires.

(b) **Opportunities:**

Despite of fire breakout in the plant and strained relationships with customers which had impacted company's financial and performance adversely. Sharon has managed to continue with all its facilities consistently matching global operating benchmarks. Sharon has dedicated, Active Pharma Ingredients (API's) manufacturing and Formulation manufacturing plants at Taloja (Navi Mumbai) and Dehradun respectively, India. All our plants and are approved by major international regulators including US FDA for Formulation unit. This provide us a wide footprint in Asia, Europe, USA and other regulated markets. We are trying to build a sustainable and scalable business across segments to cater to the regulated and the emerging markets.



(c) **Segment-wise performance:**

Sharon Bio is a specialty pharmaceutical company engaged in the development, manufacture and commercialization of pharmaceutical products. We have diversified our business in 3 different segments viz. Active Pharma Ingredients (API's), Formulations and Toxicology. Sharon's formulation manufacturing facilities received an approval from US FDA.

(d) **Outlook**

We believe in creating opportunities and then fully harnessing them. In doing so, we identify the unmet healthcare needs across therapies in different market and capitalize on them. The pharmaceutical industry is undergoing rapid changes and it has become crucial to continuously refine and improve our capabilities. While responding to these changes is imperative, response capability alone will not be sufficient to generate long term sustainability.

(e) **Risks Management:**

Governed by a strong compliance ethic, it relies heavily on risk management and forecasting frameworks to manage competitive, economic, financial, geo-political and social risks. Company has put in place response mechanisms that mitigate environmental, operational and business risks and minimize impact on business. The Company's products face intense competition from products of other pharmaceutical companies in India and abroad and introduction of new products by competitors may impair the Company's competitive advantage and lead to erosion of revenues. Risk of exposure to various external political and economic conditions exists as well as natural disaster that may hit the Company's work performance and capability to achieve its objectives. Additionally, the Company operates across a broad range of markets and these markets have the potential to come across natural disasters that could impact business operations.

(f) **Internal control systems and their adequacy.**

The Company's internal control procedures are adequate to ensure compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations. The Company has put in place automated internal business controls and a centralized global process framework that works and governs the day-to-day operations of key functions like research, procurement, manufacturing and supply chain, integrating them with key support functions like marketing, sales, finance, regulatory affairs and HR. An alert and empowered internal audit group monitors systems and processes ensuring that automated control procedures in the organization.

(g) **Discussion on financial performance with respect to operational performance:**

Last 2 years has been uneventful for Sharon as far as financial and operational performance is concerned. We have been trying really hard to overcome the complications we faced during the last 2 years more broadly in the markets in which we operate, but with the challenges have also come many strong achievements.

(h) **Human Assets:**

With an eclectic mix of youth and experience, the Company has nurtured its business through a transformational leadership approach, rather than transactional. We recognize the fact that employee satisfaction is intricately woven with the success of any organization. We offer our people an enriching work experience that is beneficial for them and the organization in the long run. During the year, the Company also ensured inclusive growth of every employee, which motivated them irrespective of their designation.

(i) **Cautionary Statement**

Statement in this Management's Discussion and Analysis detailing the Company's objectives, projections, estimates, estimates, expectations or predictions are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.