

Observations on Shilpa Medicare

For background I know almost nothing about the Shilpa Medicare business but upon looking at its books of account I have a few observations that may be useful to those who own or plan to own shares in the business.

If you have anything to say on these observations, please do.

1. The company has diluted almost 100% over the past 10 years. This means the profits figures on a per share basis will be nearly halved or that annual growth rate is lower by 25%.

Table 1

	Adjusted shares
Mar-05	2,656,100
Mar-15	5,140,127
Dilution	94%

Table 2

	PAT ₹ millions	Adjusted EPS ₹
Year ending March 2005	32.8	12.35
TTM ending Dec 2015	756.4	147.16
Growth (times)	23.06	11.92
CAGR	37%	28%

2. At 9.4% annual EPS growth in the last 5 years is low for a growth stock.

Table 3

	Adjusted EPS ₹
Year ending March 2010	96.71
TTM ending Dec 2015	147.9
CAGR	9.4%

3. The Promoters increased their shareholding in a cashless manner by about 16% in the quarter ending March 2009. This was done by amalgamating the firm owned by them (Shilpa Organics Pvt Ltd). This firm was reported as an associate in the 2006 Annual Report with high related party transactions. The financials were not known and there is no way to assess if the transaction was done fairly.
4. The company recently raised ₹ 750 million by diluting about 4.8% in May 2014 for “funding current / future expansion”. This may as well have been raised by debt which is preferred as it is cheaper.