

The Board of Directors

Ajay G. Piramal, Chairman

Keki Dadiseth

Y. H. Malegam

Dr. Swati A. Piramal

Nandini Piramal
Executive Director

S. Ramadorai

R. A. Shah

Deepak Satwalekar

N. Vaghul

N. Santhanam
Executive Director and Chief Operating Officer

Management Committee

Ajay G. Piramal

Gerhard Klement

Sudarshan Jain

Rajesh Laddha

Dr. Swati A. Piramal

Nandini Piramal

Murari Rajan

N. Santhanam

Dr. Sangram Tambe

Auditors

Price Waterhouse

Solicitors

Crawford Bayley & Co.

Registered Office

Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013, India

Bankers

Allahabad Bank
Axis Bank Limited
Bank of Baroda
BNP Paribas
Citibank N.A.
Corporation Bank
Credit Agricole Corporate and
Investment Bank
HDFC Bank Limited
ICICI Bank Limited
Kotak Mahindra Bank Limited
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
The Hongkong & Shanghai
Banking Corporation Limited
Yes Bank Limited

The Vision

To become the most admired Indian pharmaceutical company with leadership in market share, research and profits by:

- Building distinctive sales & marketing capabilities
- Evolving from licensing to globally launching our patented products
- Inculcating a high performance culture
- Being the partner of choice for global pharmaceutical companies

Always adhering to our values, based on our obligations as the trustees of our customers, employees, shareholders and society

contents

■ Chairman's Letter	2	■ Balance Sheet	46
■ Management Discussion & Analysis	4	■ Profit & Loss Account	47
■ Corporate Governance	15	■ Cash Flow Statement	48
■ Notice	27	■ Schedules	50
■ Directors' Report	32	■ Notes to Accounts	59
■ Auditors' Report	43	■ Consolidated Financial Statements	77

Chairman's Letter



Dear Shareholders,

My warm greetings to all of you.

FY2010 marked yet another year of strong growth for domestic pharmaceutical industry. Led by increased investments by larger pharmaceutical companies in growing field force and launching new products the domestic pharmaceutical industry grew by a strong 17.7%. Our 4,103 strong field force, increased focus on new product launches, well-diversified portfolio covering 11 therapy areas and deeper penetration into tier-II/III cities helped us to again outperform the industry growth by a significant margin.

We concluded FY2010 with an excellent quarter where we improved one rank to be the 3rd largest pharmaceutical company in India with a market share of 4.4%. Our sales from the Healthcare Solutions for FY2010 stood at Rs. 20.0 billion, a year-on-year growth of 24.6%. We have outperformed the market in most therapy areas with performance being exceptionally strong in Anti-infective, Nutritionals, Anti-diabetic and OTC segment.

The OTC segment in India is still in nascent stages and presents us with high growth opportunities. During the year we took an important step in growing our OTC business. We acquired India's No.1 emergency contraceptive brand - I-pill from Cipla. I-pill is a strong brand with high brand recognition and has annual sales of about Rs. 309 million. I-pill will strengthen our OTC portfolio which consists of strong brands such as Lacto Calamine, Supractiv, Saridon and Polychrol.

FY2010 was a tough year for Pharmaceutical outsourcing industry. The global financial crisis, and consequent reduction of inventory across most large pharmaceutical companies, along with lack of funding to smaller R&D companies and biotech firms have collectively resulted into a slow down in the pharmaceutical outsourcing space. Our Pharma Solutions (Custom Manufacturing) business registered sales of Rs. 8.8 billion compared to Rs. 10.6 billion in FY2009.

During the tough business environment, we focused our efforts on gaining the knowledge and capabilities to build tomorrow's enterprise. We invested in building a robust business development team, in stronger and robust processes and systems and in getting USFDA/UKMHRA approvals for our facilities. This has resulted in increased confidence from our clients in our offerings. Pfizer, the world's largest pharmaceutical company, has renewed manufacturing contract with us at Morpeth facility for an indefinite period with increased volumes.

During the year, we have made significant progress in our Critical Care business. We have completed the integration of Minrad's business and have increased production and sales. Sales from this business have grown by 149.0% to Rs. 3.3 billion. We are preparing for Sevoflurane launch in the European markets which open newer frontier for growth of this business.

On a Consolidated basis, revenues for the year grew by 11.9% to Rs. 36.7 billion. Operating Profit (EBIDTA) grew by 25.9% to Rs. 7.4 billion, against Rs. 5.9 billion for FY2009. The Operating Profit margin was also higher at 20.2% compared to 17.9% for FY2009. Net profit grew by 52.4% to Rs. 4.8 billion against Rs. 3.2 billion in FY2009.

Overall, the year re-affirms our commitment of creating value for our shareholders by focusing on profitable growth. With the spirit, commitment and dedication of Piramal Healthcare's team, we are confident of realizing our growth potential. And our core values will propel us towards our vision of becoming the largest and most admired healthcare company in India. This will help our Company to deliver sustainable and profitable growth for many years to come.

With gratitude to our investors, employees, customers and all stakeholders, we look forward to your continued support in our endeavor.

Warm regards,

Ajay G. Piramal

Chairman

Date : 07th May 2010

Management Discussion & Analysis

FY2010: (consolidated) at a glance

Summary - consolidated:

■ Total Operating Income	:	Rs. 36.7 billion
■ EBIDTA	:	Rs. 7.4 billion
■ Net Profit	:	Rs. 4.8 billion
■ Gross margins (sales less material costs)	:	From 62.4% to 61.9% in FY2010
■ R&D spend	:	From 2.6% to 1.9% in FY2010
■ EBIDTA Margin	:	From 17.9% to 20.2% in FY2010
■ PAT	:	From 9.6% to 13.1% in FY2010

Revenue and Profits - consolidated:

■ Total Operating Income growth	:	11.9%
■ Healthcare Solutions sales growth	:	24.6%
■ Pharma Solutions sales growth	:	(16.6)%
■ Piramal Critical Care sales growth	:	149.0%
■ EBIDTA growth	:	25.9%
■ Net Profit growth	:	52.4%

Operations highlights - consolidated:

■ Healthcare Solutions:

- Market Share expanded from 4.0% in FY2009 to 4.2% in FY2010 (ORG IMS MAT March 2010).
- Field force of 4,103 people; 19 Marketing Divisions, 11 Specialist Divisions.
- 32 new products & line extensions launched, new products (launched during the last 24 months) form 7.6% of sales.
- Acquired "I-Pill" brand from Cipla.

■ Pharma Solutions:

- Renewed the remaining contract with Pfizer.
- 5 out of the top-10 companies visited Ahmedabad site and 4 have awarded contracts.
- Pithampur site audited by USFDA without any 483s, Morpeth site inspected by USFDA without any 483s.

■ Piramal Critical Care:

- Production increased at Bethlehem facility.
- Haemaccel supply started from Baddi.
- Reduced manufacturing cost significantly.

Financial highlights – consolidated

Particulars	Year		
	FY2010 Rs. Million	FY2009 Rs. Million	Growth %
Total Operating Income	36,710.5	32,811.0	11.9
EBIDTA	7,409.7	5,887.3	25.9
(%)	20.2	17.9	—
Interest (Net)	916.4	838.0	9.4
Depreciation	1,426.5	1,195.7	19.3
PBT before exceptional items	5,066.8	3,853.6	31.5
PAT	4,819.0	3,162.5	52.4
EPS Rs. (Basic)	23.1	15.1	52.4
EPS Rs. before exceptional items	23.4	17.3	35.2

Particulars	FY2010	FY2009
Debt / Equity ratio	0.77	1.02
ROCE %	21.2	19.0
RONW %	28.6	24.0
EVA (annualized) (Rs. million)	2,325.3	1,414.8
Net Sales / NFA ratio	1.7	1.6
Inventory (days*)	46	53
Receivables (days*)	44	53

Note: * Days have been worked on the basis of gross sales and also includes other operating income and exclude sales tax.

Review of the year ended 31 March 2010: (Consolidated)

The operating results discussion in the Management Discussion and Analysis refers to Consolidated Financial Statements, unless stated otherwise.

For the year ended 31 March 2010, Total Operating Income grew by 11.9 % to Rs. 36.7 billion compared with FY2009 total operating income of Rs. 32.8 billion.

Earnings Before Interest, Depreciation and Tax (EBIDTA) grew by 25.9% to Rs. 7.4 billion, against Rs. 5.9 billion for FY2009. The EBIDTA margin was also higher at 20.2% compared to 17.9% for FY2009.

Net Interest increased by 9.4% to Rs. 916.4 million, compared with Rs. 838.0 million in FY2009. Total Debt as on 31 March 2010 was Rs. 12.9 billion, compared to Rs. 13.4 billion for FY2009. Debt/Equity ratio was 0.77 in FY2010, compared to 1.02 in FY2009.

Depreciation for the year was Rs. 1.4 billion compared to Rs. 1.2 billion in FY2009. The higher depreciation is on account of full year impact of acquired assets of Minrad International Inc.

Income Tax for FY2010 was Rs. 180.3 million, compared with Rs. 219.4 million in FY2009.

Profit after Tax grew by 52.4% to Rs. 4.8 billion against Rs. 3.2 billion in FY2009.

Earnings Per Share for the year grew by 52.4% to Rs. 23.1 as compared to Rs. 15.1 in FY2009

Net Sales analysis (Consolidated):

PHL's Healthcare Solutions business grew by 24.6% to reach Rs. 20.0 billion. Sales from Pharma Solutions business were Rs. 8.8 billion as compared to Rs. 10.6 billion for FY2009. Due to consolidation of Minrad revenues, the Critical Care segment grew by 149.0% to Rs. 3.3 billion as compared to Rs. 1.3 billion in FY2009.

The break-up of aggregate Total Operating Income is as under:

Rs. million

No.	Total Operating Income break-up	% sales	Year ended		
			31-Mar-2010	31-Mar-2009	% Growth
1	Healthcare Solutions	54.5	20,002.3	16,048.9	24.6
2	Pharma Solutions	24.1	8,849.9	10,606.5	(16.6)
	From Assets in India	10.2	3,758.8	3,925.1	(4.2)
	From Assets outside India	13.9	5,091.1	6,681.3	(23.8)
3	Piramal Critical Care	8.9	3,276.7	1,316.0	149.0
4	Piramal Diagnostic Services Limited	5.6	2,064.3	1,689.6	22.2
5	Others	6.9	2,517.4	3,150.1	(20.1)
	Total	100	36,710.5	32,811.0	11.9

Healthcare Solutions (Domestic Branded Formulations)

Market commentary & Industry outlook:

The domestic pharmaceutical industry continued to witness strong growth momentum. Led by strong penetration into tier II/III cities, increased number of new product launches and increase in field-force strength, the market grew by a robust 17.7% (ORG IMS MAT March 2010). Indian Pharmaceutical market has become increasingly attractive for large multinational pharmaceutical companies as they aggressively pursue growth opportunities in the emerging markets.

Piramal Healthcare's consolidated formulations performance:

During the year, PHL's domestic branded formulations grew 24.6% in aggregate terms to Rs. 20.0 billion against Rs. 16.0 billion for FY2009. The performance led by high growth in OTC, Anti-infective, Nutritionals, Anti-Diabetic and Respiratory.

Formulations sales analysis:**Therapy area analysis**

Rs. Million

No.	Therapeutic area	Company financials year ended				ORG-IMS MAT-Mar. 10
		Sales Wt (%)	31-Mar-2010	31-Mar-2009	Growth (%)	Market Growth (%)
1.	Respiratory	17.4	3,481.1	2,833.2	22.9	21.0
2.	Anti-Infective	17.6	3,520.7	2,557.8	37.6	15.0
3.	CVS	11.8	2,364.7	2,055.9	15.0	19.9
4.	CNS	10.1	2,024.4	1,684.8	20.2	20.3
5.	Nutritionals	7.1	1,426.4	1,081.7	31.9	15.2
6.	Biotech	1.4	273.3	275.8	(0.9)	—
7.	Anti-Diabetic	6.5	1,295.3	1,021.2	26.8	24.0
8.	Gastro-intestinal	4.5	895.4	768.1	16.6	15.9
9.	Dermatology	3.6	728.9	587.9	24.0	18.7
10.	NSAIDs	4.3	869.7	736.3	18.1	17.3
11.	OTC	6.2	1,245.4	759.0	64.1	—
12.	Others	6.8	1,353.0	1,206.7	12.1	—
13.	Ophthalmology	2.6	524.1	480.3	9.1	16.7
	Total	100	20,002.3	16,048.9	24.6	17.7

Note :

Market data source: ORG-IMS, no similar market data available for Biotech segment.

Ranked No. 1 in new product launches:

During the year Piramal Healthcare grew by 24.6% against industry growth of 17.7%. During the year, Piramal Healthcare launched 32 new products and has been ranked no. 1 in the Indian Pharmaceutical Industry in terms of sales from new products. The revenues from new products launches have increased from 4.4% in FY2008 to 7.6% in FY2010. The Company has been ranked no. 3 in the Indian Pharmaceutical market for Q4FY2010 as per ORG-IMS.

Acquisition of I-pill brand:

During the year we acquired “I-pill” brand of Cipla for an aggregate consideration of Rs. 1,010.3 million. I-pill is an emergency contraceptive pill used to prevent unplanned pregnancy and is available over the counter at local chemists. The acquisition of I-pill strengthens Piramal’s over the counter (OTC) portfolio which has strong consumer brands such as Lacto Calamine skin care range, Supractiv Complete, Saridon and Polycrol antacid. As per ORG-IMS, I-pill features in the top-300 products in the Indian pharmaceutical industry.

Piramal Knowledge Academy:

Last year we launched ‘Piramal Knowledge Academy’ with the objective of sharing and spreading the latest scientific knowledge. Adhering to our core objective, during the year we have taken several initiatives to create a platform for Doctor engagement. It’s a virtual knowledge centre to serve as a 24 x 7 on-demand resource center for physicians accessible through the web, mobile, helpline. This also builds a peer to peer collaboration platform. Further, we have collaborated with leading institutions like BMJ, Joslin, John Hopkins, NUS which has enabled us to develop thought leadership programmes in strategic therapeutic areas.

Portfolio performance: Joint Ventures & Subsidiaries**Allergan India Limited (‘AIL’):**

AIL is a 51:49 Joint Venture between Allergan Inc., USA and Piramal Healthcare Limited. Total Operating Income of AIL grew by 8.6% to Rs. 1.1 billion (FY2009 Total Operating Income: Rs. 1.0 billion). The PBIDT for FY2010 was up by 8.5% to Rs. 349.7 million as compared to Rs. 322.3 million in FY2009. Profit after tax for FY2010 was up by 15.9% to Rs. 220.6 million as compared to Rs. 190.3 million for FY2009.

Core Brand Analysis:

The sale from our top-10 brands was 26.4% of the Healthcare Solutions sales and that from our top-30 brands was 49.3%. The sales from Lifestyle segment (which include therapy areas of CVS, CNS, Anti-diabetic and Biotech) contributed to 29.5% of the total Healthcare Solutions.

Brands portfolio expansion:
New Products launch:

Piramal Healthcare launched a total of 32 new products (including extensions) during FY2010. Sales from new products launched during the past 24 months were Rs. 1.5 billion during the year.

DPCO:

Products under the Drug Price Control Order (DPCO) contributed 11.4% of Healthcare Solutions sales in FY2010 as compared to 13.0% in FY2009.

Field Force (standalone):

During the year, we have increased our field force from 3,984 people to 4,103 people. We are continuously investing in our fieldforce to achieve our objective of market penetration. Piramal Healthcare now has a total of 19 Divisions, out of which 11 focus on specific therapies.

No. of people

No.	Formulations Divisions	TA Focus	31 March 2010	31 March 2009
I.	Multi-specialty & Institutional			
1.	General Medicine	Respiratory/Pediatrics	487	504
2.	Multispecialty	General Medicine	253	266
3.	Acute Care	General Medicine	313	307
4.	Multi Therapy	General Medicine	359	355
5.	Pain Management	General Medicine/Pain Management	304	310
6.	Trade Management	Trade Management	190	193
7.	Nepal		25	21
8.	Corporate Hospitals	General Medicines	17	—
	SUB-TOTAL		1,948	1,956
II.	Dedicated			
9.	Cardiac	Cardiovascular	289	251
10.	Diabetes	Diabetology	337	307
11.	Biotech	Nephrology/Oncology	29	26
12.	Critical Cardiology	Cardiovascular	188	219
13.	Cardio – Diabeto	Cardio-Diabetes	230	219
14.	Consumer Products	OTC	234	200
15.	Neuro-Psychiatry	Neuro-Psychiatry	214	219
16.	Derma	Dermatology/Gynaecology	186	171
17.	Ortho	Orthopaedic	347	337
18.	Institutional Sales	Critical Care/Anaesthesiology	9	9
19.	CNS	CNS	92	70
	SUB-TOTAL		2,155	2,028
	TOTAL		4,103	3,984

Launch of new division catering to corporate hospitals:

The rapid growth of corporate hospitals has presented a new segment of growth for pharmaceutical companies. Hence we have launched a new division with 17 people catering to Corporate Hospitals. This team will build relationships with key stakeholders in 90 hospitals across 8 cities.

Pharma Solutions (Custom Manufacturing)
Market commentary:

The demand in the pharmaceutical outsourcing market continued to be soft. Due to reduction in inventory level across many large multinational pharmaceutical companies, the industry struggled to grow for most parts of FY2010. However, towards the end of the year, one could see a definite