



Piramal Healthcare

knowledge action care

OUR VALUES – THE GUIDING FORCE

“Values are not just words. Values are what we live by. They are about the causes we champion and the people we fight for.”

Our path to excellence is guided by the core values of Knowledge, Action and Care.

Our values find their lineage in the largest source of perpetual wisdom, the Bhagvad Gita.

Each member of the Piramal community is encouraged to imbibe the following eternal principles:

- **GYAN YOGA** the principle of knowledge and intellect
- **KARMA YOGA** the principle of action and entrepreneurial spirit
- **BHAKTI YOGA** the principle of care and compassion

**IN THE PIRAMAL WAY OF CONDUCTING BUSINESS,
THIS TRANSLATES INTO:**

KNOWLEDGE

Nothing is greater than knowledge, a true ornament of life leading to lasting happiness. Knowledge is what inspires one to a higher vision. Each of us within the Piramal community aspires to have the deepest knowledge and concepts in our area of operation or expertise. Adopting an innovative and creative approach is encouraged.

ACTION

We in the Piramal community wish to exhibit a high level of dynamic action entrepreneurship, independence, initiative, decisiveness and speed for growth.

CARE

We in the Piramal community shall care for the world we share and serve, empowering those around us with every gesture we exhibit. We work with each stakeholder of our community in a spirit of collaboration, mutual respect and trust. We strive to empower customers and co-workers with care that enlightens. Our vision has its roots in realizing that we are fortunate to be in a position in which we devote ourselves to caring for people.

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CHAIRMAN'S LETTER

Dear Shareholders,

It gives me immense pleasure to share with you the key developments of Piramal Group's flagship company - Piramal Healthcare for the year gone by. FY2011 marked a turning point in the history of Piramal Healthcare Limited.

2011 - A landmark year

To begin with, we did the most profitable deal in the history of global pharma with the sale of our Healthcare Solutions business for \$ 3.8 billion.

The transaction at 9 times FY10 sales has created new industry benchmarks for valuation. Moreover, what is truly satisfying is that the deal has been a win-win proposition: for the business, for the shareholders and for the employees who moved to Abbott as well as for those who stayed back at Piramal Healthcare.

Piramal Healthcare's history dates back to 1988 when we entered the pharmaceutical industry via an acquisition. From being a marginal player ranked 48th, Piramal Healthcare steadily consolidated its position to become a formidable force in the industry, rising to Top 3 with a market share of 4.2% in a highly fragmented Indian pharmaceutical market. So then why did we divest the Healthcare Solutions business after reinforcing its strength and reach for 22 years?

The answer lies in our guiding principle of conducting business. At Piramal Healthcare, we derive strength from our core values of knowledge, action and care that give us purpose to create real value for all our stakeholders including our investors, our employees and our partners. Therefore the Board unanimously agreed that the divestment was a strategic move to maximize the business's value and was in the best interest of all our stakeholders.

Another important event during FY2011 was the sale of our shareholding in our subsidiary, Piramal Diagnostic Services Private Limited (PDSL) to Super Religare Labs (SRL) for Rs. 6 billion. This valuation at 3 times FY10 sales and ~ 16 times FY10 EBITDA was one of the highest in the industry. From a single diagnostic centre in Kolkata in 1999, we went on to become the leading player in diagnostic services with a network of 107 laboratories across the nation in 2010. Again, the intention behind the deal was to unlock value for our shareholders and provide the business with the scale and size it needed to serve a larger base of Indian consumers to help them fight disease with timely and accurate diagnosis.

Rewarding our shareholders

Having created value through divestments of Healthcare Solutions business and our subsidiary - PDSL, we have also rewarded the shareholder by

way of buy back of shares. The Board believed that buyback was the most efficient means of returning money to shareholders. Hence, during the year, we have bought back 41.8 million equity shares, representing 20% of equity share capital of PHL at a price of Rs. 600 per share. The buyback price represented a premium of 19% over the average share price of three months prior to announcement of buyback. The board has also proposed dividend of Rs. 12 per share (Rs. 6 ordinary dividend and Rs.6 as one time special dividend on sale of healthcare solutions business).

Our company has become financially robust with proceeds from these two deals. As on 31st March, we had cash and investments (including cash receivable and loans & advances) of Rs. 104.0 billion. The quantum of funds available is more than what can be efficiently deployed in our existing businesses. Hence, we will explore growth opportunities in new sectors. With a sustained GDP growth rate of 8-9%, rising disposable income of Indian consumers and a young demographic population profile, we are at a time where opportunities to create new businesses are enormous.

Continued commitment to pharmaceutical sector

The Pharma Solutions (Custom Manufacturing) business is regaining its growth trajectory with destocking issues of the industry behind us. Indian companies with their low cost, high quality manufacturing capabilities will benefit from the increasing cost pressures being faced by big pharma companies due to patent expiry of large blockbuster drugs and fewer new product approvals. Our Company with a flawless execution and regulatory track record combined with strong relationships with big pharma companies is well positioned to benefit from this trend.

The Critical Care business now has a well established infrastructure to serve the increasing global demand from hospitals. With a presence in 102 countries and a strong portfolio of products comprising inhalation and injectable anesthetics, this business is poised to scale newer heights as we consolidate our existing presence by entering untapped geographies and by adding newer products to our portfolio.

Our Consumer Products business has grown from a fledgling one to one amongst the fastest growing Over-The-Counter businesses in India. With the expansion of the field force this year, we have established a strong sales, marketing and distribution network that reaches out to all 485 one lakh plus towns in India and 2.4 lakh retail outlets. With increasing disposable income of the Indian consumer, this business is geared for sustained accelerated growth, given our strong brand portfolio.

To further reinforce our presence in the healthcare space, the Board of Directors has also approved the de-merger of the New Chemical Entity research unit of Piramal Life Sciences into Piramal Healthcare. With a pipeline of 24 programs across different phases of development, state-of-the-art facilities, world class personnel and a growing network of clinical collaborations in India and abroad, this unit will provide a strong innovation platform for us to build upon. This move is synergistic with our strategic intent to re-establish our Company as research driven.

Exploring new growth opportunities

We have been evaluating various sectors to invest some of this capital in a way that optimizes our strengths and results in long term value creation for our shareholders. With this in mind, we have announced our venture into the Financial Services sector. The Financial Services sector in India will

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benefit tremendously from the strong 8%+ GDP growth rate, has exciting expansion prospects and an attractive return profile.

To begin with Piramal Healthcare will set up a Non Banking Financial Company for lending to infrastructure and other sectors and will foray into fund management for real estate. Towards building a strong Financial Services business, the Board of Directors has approved the acquisition of Indiareit Investment Management Company and Indiareit Fund Advisors Private Limited, a leading Real Estate Asset Management Company in India, for a consideration of Rs. 2.3 billion. These developments along with the devotion to strengthen our existing businesses will equip us to build a flourishing organization that benefits all our stakeholders.

Caring for the world we share and serve

It is rightly said that we make a living by what we get but we make a life by what we give. The joy of giving from selfless service leads us to a higher sense of purpose and fulfillment. Business conglomerates such as ours are in a far more privileged position to give. We are committed to building sustainable, empowered communities at the grass root level. This year, Piramal Healthcare has earmarked a corpus of Rs. 200 crores for our various community development initiatives.

To summarize, I would like to re-iterate that we are at a time when the business environment is dynamic than ever before. And those who embrace change can create enormous business opportunities. In our pursuit of growing existing business and creating new business, we remain firmly committed

to our guiding principle of creating shareholder value over long term.

I thank you for your continued faith in us over the past years. As we embark upon a new journey, we look forward to your support in the coming years.

Warm Regards,



Ajay G. Piramal

Chairman

Date: 21st June 2011