



Piramal Enterprises Limited
ANNUAL REPORT 2013-2014

THE BOARD OF DIRECTORS

Ajay G. Piramal, *Chairman*

Swati A. Piramal, *Vice - Chairperson*

Gautam Banerjee

Amit Chandra

Keki Dadiseth

R.A. Mashelkar

Goverdhan Mehta

Siddharth Mehta

Nandini Piramal, *Executive Director*

S. Ramadorai

Deepak Satwalekar

Vijay Shah, *Executive Director*

N. Vaghul

BANKERS

Allahabad Bank

Australia & New Zealand Banking Group Limited

BNP Paribas

Citibank N.A.

HDFC Bank Limited

Kotak Mahindra Bank Limited

The Hongkong & Shanghai Banking Corporation Limited

Yes Bank Limited

AUDITORS

Price Waterhouse

REGISTERED OFFICE

Piramal Tower,

Ganpatrao Kadam Marg,

Lower Parel.

Mumbai – 400 013, India

CIN : L24110MH1947PLC005719

Tel No: (91 22) 30466666

Fax No: (91 22) 30467855

Email: complianceofficer.phl@piramal.com

Website: www.piramal.com

“Values determine how we engage with others,
what we identify with,
what we care about and
what we deem worth fighting for.”

At the Piramal Group, our core values of Knowledge, Action and Care have been an integral part of our guiding philosophy. We believe that living by our values is not just important but imperative.

We continue to engage every member of our organization through various initiatives to ensure better understanding of and alignment of behaviours with our values. Our values shape key processes within our organization like customer management, strategy formulation, performance management, recruitment, induction, talent development, etc. Our core values have been defined as:

Knowledge

Expertise: We strive for a deeper understanding of our domain.

Innovation: We aspire to do things creatively.

Action

Entrepreneurship: We are empowered to act decisively and create value.

Integrity: We are consistent in our thought, speech and action.

Care

Trusteeship: We protect and enhance the interests of our customers, community, employees, partners and shareholders.

Humility: We aspire to be the best, yet strive to be humble.

Contents

Chairman's Letter	03
10 years Financials.....	06
Management Discussion & Analysis.....	07
Report on Corporate Governance	18
Secretarial Audit Report.....	40
Notice	41
Directors' Report.....	52
Auditors' Report.....	66
Balance Sheet	70
Statement of Profit & Loss.....	71
Cash Flow Statement	72
Notes to Financial Statements.....	74
Consolidated Financial Statements	114
NECS / Bank Mandate Letter and Form	163
Attendance Slip	167
Proxy Form	169

This Annual Report can also be accessed at www.piramal.com.

CHAIRMAN'S LETTER



Dear Shareholders,

My warm greetings to all of you.

During the financial year 2014, we continued to execute on our growth plans for the existing businesses within the three chosen sectors: Pharmaceuticals, Financial Services and Information Management. We also deepened our commitment in these sectors through strategic partnerships and alliances. Investments made during the past several years have started yielding results in terms of revenue growth and balance sheet strength. Recognizing this, the Board of Directors of Piramal Enterprises Limited (PEL) has recommended a substantial reward for its shareholders through a special dividend of ₹ 35 per equity share, over and above the normal dividend of ₹ 17.50 per equity share, totaling to ₹ 52.5 per equity share.

Significant milestones achieved since last year

- We sold our 11% stake in Vodafone India for ~₹ 8,900 crores in April 2014. We earned a pre-tax annualized return of ~19% on our investment of ~₹ 5,864 crores made in FY2012. This transaction reaffirms our faith in making investments that generate attractive long term return on equity for its shareholders. It has also made additional funds available to us, which can be deployed in further opportunities that will generate superior returns.
- We received approval from the U.S. Food and Drug Administration (FDA) in March 2014 and from the European Commission in February 2014 for our diagnostic imaging agent, Neuraceq™ (florbetaben F18). We had acquired worldwide rights to Neuraceq™, then a Phase III molecule, along with the entire molecular imaging development portfolio of Bayer Pharma AG in 2012. This product will aid healthcare providers in the diagnostic assessment of Alzheimer's disease.

Strategic partnerships and alliances

During the year, we have made further commitments to sectors where we are present through strategic partnerships and alliances that create long term shareholder value :

- We entered into a long term partnership with the Shriram Group, a pioneer in providing financial services to the under-served sections of the society. The Group is well known for its culture and values, which resonates well with our Group's philosophy. We share the same vision for our businesses – we want to build an enterprise that creates long term value not only for shareholders, but also for the society. The partnership with the Shriram Group began with the acquisition of ~10% stake in Shriram Transport Finance Company Limited, a listed NBFC, in May 2013. In April 2014, we further acquired an effective 20% stake in Shriram Capital Limited, the holding company for Shriram Group's financial services and insurance businesses. We have also acquired ~10% stake in the Group's retail focused NBFC, Shriram City Union Finance in June 2014. With this, our total investment in the Shriram Group aggregates to ~₹ 4,440 crores.
- We entered into a strategic alliance with CPPIB Credit Investments Inc., a wholly-owned subsidiary of Canada Pension Plan Investment Board (CPPIB). CPPIB is one of the ten largest retirement funds in the world, with assets in excess of US\$ 200 billion. The alliance leverages our real estate financing capabilities for providing rupee debt financing to residential projects across India's key urban centres. CPPIB and PEL have each initially committed US\$ 250 million for this purpose.
- We acquired the over-the-counter (OTC) brand, 'Caladryl' from Valeant Pharmaceuticals International Inc. We also signed an exclusive sales and distribution agreement for the Indian market with Merisant for its artificial sweetener, 'Equal'. These brands enable PEL to widen its consumer products portfolio for its target customers and effectively leverage one of the largest field forces in the country covering all towns with a population of over 100,000.

We continue to invest in building our businesses in three sectors - Pharmaceuticals, Financial Services and Information Management. In FY2014, revenue from these businesses grew by ~28% to ₹ 4,520 crores.

Following are the key highlights for each of our businesses:

Update on Pharmaceutical businesses

Over the last few years, the Indian pharmaceutical industry has been subject to rigorous and frequent inspections by the external regulators like the U.S. FDA. Regulatory headwinds have remained one of the key risks for players in this industry. Against the backdrop of a tough external environment, our contract manufacturing sites have emerged successful and have cleared various regulatory audits and inspections with either no or minor observations, including those of the U.S. FDA. The high quality standards maintained by our sites, coupled with our strong reputation in the market present immense opportunities to our contract development and manufacturing business, Pharma Solutions. The business revenues grew at ~14% during FY2014.

Our Critical Care business continues to grow its share of the inhalation anesthetic market. We have more than 30% share of the US Sevoflurane market and are beginning to gain traction in key European and emerging markets. Today, we are one of the top 3 players globally and hope to further strengthen our position with the launch of Desflurane during FY2015. The business revenues grew at ~17% during FY2014.

We continue to develop the brand portfolio of our OTC business through organic as well as inorganic initiatives and strategic partnerships. During the year, we acquired an anti-pruritic brand, 'Caladryl' from Valeant Pharmaceuticals International Inc. This acquisition enables PEL to widen its consumer products portfolio in the skin care segment. We also signed an exclusive sales and distribution agreement for the Indian market with Merisant for its artificial sweetener, 'Equal'. This has enabled our OTC business to achieve above industry average growth rates in FY2014 despite challenging market conditions. PEL's current OTC product portfolio includes brands such as Lacto Calamine, Saridon, i-Pill, Itchmosol and Supractiv Complete, along with niche brands like Polycrol, i-Sure, i-Can, Jungle Magic, Tetmosol and Triactiv. During FY2014, the revenues from the OTC and Ophthalmology segment grew by 21%.

Our lead compound, Neuraceq™ (florbetaben F18), an imaging agent that detects beta-Amyloid plaque deposition in the brain is now approved by the U.S. FDA and European Commission. We have received approvals to launch Neuraceq™ in the U.S. and in all countries in the European Economic Area (EEA). We believe this is a significant landmark in our endeavour to address an unmet medical need and to improve lives of millions.

Apart from Neuraceq™, we also have a strong pipeline of drugs in various stages of clinical trials and a robust discovery portfolio within two therapeutic areas – Oncology and Metabolic Disorders. This year, our R&D facility in Mumbai received a compliance certification from the National Good Laboratory Practice Compliance Monitoring Authority (NGCMA). We will continue developing our NCE and Imaging pipeline.

Update on the Financial Services businesses

We recently combined our real estate private equity fund management business and our real estate and allied sector focused NBFC into an integrated vertical called 'Piramal Fund Management' (PFM). The combined business offers comprehensive financing solutions to developers through the life cycle of the project, positioning it to become the preferred financing partner. The integration will help realize synergies across fund raising, deployment, monitoring and exit of real estate loans and investments.

We also entered into strategic alliances that reinforce our position in the real estate financing business:

- Alliance with CPPIB Credit Investments Inc. for providing rupee debt financing to urban residential projects, where PFM has been appointed as the advisor. CPPIB and PEL have both made an initial commitment of US\$ 250 million each for this platform.
- Strategic partnership with India Infoline Limited (IIFL) where PFM would play an advisory role. 'IIFL Income Opportunities Fund Series – Special Situations', closed at ₹ 750 crores as on March 31, 2014.

This year we also successfully raised a total of ₹ 1,500 crores through our Domestic Fund V and the Mumbai Redevelopment Fund. As on March 31, 2014, PFM's assets under management were at ₹ 6,585 crores. The loan book to the Real Estate and Education sectors stood at ₹ 1,936 crores as on the same date.

Our Structured Investments Group was formed to target investment opportunities within infrastructure and other special situations. PEL has made two investments till date in the infrastructure sector, aggregating ₹ 925 crores. Of this, ₹ 500 crores were invested in April 2014. We have also successfully built a sustainable business model for making and monitoring such investments on an ongoing basis.

Update on Information Management business

Decision Resources Group (DRG), our growth platform for the information management business, is the gold standard provider of syndicated research, information and analytics to the global healthcare industry and enjoys a very high customer retention rate. We expanded our presence in Europe through the acquisition of Abacus International, UK in December, 2012. Abacus is now fully integrated with DRG. We will continue to expand this business through both organic initiatives and inorganic opportunities. DRG's revenues grew by 38% in FY2014 over the previous year.

'Doing Well and Doing Good'

Our purpose at the Piramal Group is:

Doing Well and Doing Good – Making a positive difference, serving people and living our values.

Our purpose and our values of 'Knowledge, Action, Care' are an integral part of the way we work and engage with all our stakeholders at PEL. In line with our purpose statement, we continued to invest in philanthropic initiatives through the Piramal Foundation. The Foundation today has presence across 13 Indian states, impacting 290 million lives through its initiatives in education (Piramal Foundation for Education Leadership), health (Piramal Swasthya) and rural empowerment and livelihoods (Piramal Udgam), amongst others.

During the year, the Foundation built the 'Piramal School of Leadership', a 45,000 sq. ft. campus in Bagar, Rajasthan, with the aim to create a world class leadership training institute in India for enhancing education delivery and outcomes. The Foundation has also worked towards creating livelihood opportunities to rehabilitate the calamity struck people in Uttarakhand.

We continue to invest in each of our operating businesses and equally important, in social initiatives that benefit all stakeholders in order to build a sustainable global enterprise. I thank you for your constant support and faith.

Warm regards,

Ajay G. Piramal

Chairman

Date : June 10, 2014

10 YEARS FINANCIAL HIGHLIGHTS

Details (₹ in Crores)	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Profit and Loss Account										
Total Income	1,342	1,623	2,472	2,879	3,288	3,777	2,009	2,352	3,544	4,520
EBITDA	203	238	384	548	589	833	379	471	611	860
Interest	19	17	31	46	84	184	89	215	575	1,050
Profit Before Tax	211	148	267	373	341	500	16,415	121	-193	-435
Profit after Tax	164	124	228	334	316	482	12,736	115	-227	-501
Earnings per Share	8.5*	5.8	10.3	15.9	15.1	21.4	572.2**	6.6	-13.2	-29.1

* Face value of shares changed to ₹ 2 per share from ₹ 10 per share post share split in ratio of 1:5

** Includes gain on account of sale of the healthcare solutions business and sale of subsidiary - Piramal Diagnostics Services Private Limited

Details (₹ in Crores)	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Balance Sheet										
Share Capital	91	95 ¹	80 ²	42 ³	42	42	34 ⁴	35 ⁵	35	35
Reserves and Surplus	462	919	1,006	1,051	1,275	1,643	11,803	11,208	10,689	9,287
Minority Interest	4	3	1	5	7	-	6	10	15	0
Debt	368	311	639	716	1,339	1,295	757	2,047	7,688	9,552
Net Deferred Tax	60	84	89	90	73	57	48	50	-46	-41
Total Liabilities	985	1,412	1,815	1,903	2,736	3,037	12,647	13,349	18,381	18,832
Net Fixed Assets	728	1,042	1,224	1,259	2,039	2,113	1,582	2,089	6,081	6,682
Investments	4	29	29	65	28	33	1,482	6,964	7,877	9,446
Net Current Assets	253	342	563	580	669	891	9,584	4,297	4,419	2,704
Total Assets	985	1,412	1,815	1,903	2,736	3,037	12,647	13,349	18,381	18,832

1 Rights Issue of 1.9 crore Equity Shares of ₹ 2 each at ₹ 175 per Equity Share.

2 Redemption of 15,00,000 Preference Shares of ₹ 100 each.

3 Redemption of 15,00,000 Preference Shares of ₹ 100 each and 2,33,72,280 Preference Shares of ₹ 10 each along with proportionate dividend.

4 Buyback of 4,10,97,100 Equity Shares of ₹ 2 each at ₹ 600 per Equity Share.

5 Net increase in Equity Share Capital on account of :

— Allotment of 53,52,585 Equity Shares of ₹ 2 each to the shareholders of Piramal Life Sciences Limited (now known as Piramal Phytocare Limited) on demerger of its R&D NCE division into PEL.

— Buyback of remaining 7,05,529 Equity Shares of ₹ 2 each. With this, total number of shares bought back aggregate to 4,18,02,629.

MANAGEMENT DISCUSSION & ANALYSIS

NET SALES ANALYSIS (CONSOLIDATED):

Total operating income of Piramal Enterprises Limited (PEL) grew by 27.5% to ₹ 4,520.2 crores in FY2014 as against ₹ 3,544.3 crores in FY2013, with growth coming from across each business line. PEL's Pharma Solutions business grew by 14.2% to ₹ 1,786.0 crores as against ₹ 1,563.7 crores in FY2013. Revenue from the Critical Care business grew by 16.9% to ₹ 720.4 crores as compared with ₹ 616.1 crores in FY2013. Sales from the OTC and Ophthalmology segment were at ₹ 328.2 crores as compared with ₹ 271.2 crores in FY2013, registering growth of 21.0% for the year. Income from the financial services businesses, including investment income, grew by 91.3% to ₹ 743.7 crores this year as against ₹ 388.8 crores for FY2013. Revenue from the information management business grew by 38.1% to ₹ 899.3 crores this year as against ₹ 651.3 crores in FY2013.

The break-up of total operating income is as under:

₹ in Crores

No.	Total Operating Income Break-up	% Sales	Year ended		Growth
			31st March 2014	31st March 2013	
1	Pharmaceutical Businesses				
A	Pharma Solutions	39.5%	1,786.0	1,563.7	14.2%
B	Critical Care	15.9%	720.4	616.1	16.9%
C	OTC and Ophthalmology	7.3%	328.2	271.2	21.0%
D	Others	0.9%	42.6	53.2	-19.9%
2	Financial Services businesses (Incl. Investment Income)	16.5%	743.7	388.8	91.3%
3	Information Management	19.9%	899.3	651.3	38.1%
Total		100%	4,520.2	3,544.3	27.5%

FINANCIAL HIGHLIGHTS (CONSOLIDATED)

Income Statement

₹ in Crores

Particulars	FY2014	FY2013	Growth
Total Operating Income	4,520.2	3,544.3	27.5%
EBITDA	860.3	611.0	40.8%
EBITDA as a % of Total Operating Income	19.0%	17.2%	-
Finance Costs	1,049.6	575.0	82.5%
Depreciation	246.9	209.6	17.8%
Exceptional Items	(1.4)	19.1	-
Profit / (Loss) Before Tax	(434.8)	(192.7)	-
Tax	62.8	24.8	153.4%
Profit / (Loss) after Minority Interest and Share in Profit / Loss of Associates	(501.4)	(227.3)	-
Earnings Per Share (₹) (Face value ₹ 2/-)	(29.1)	(13.2)	-

Total Operating Income

As given in the table earlier, during FY2014, each of the business segments have grown contributing to the overall growth of 27.5% in the total operating income of the Company.

Earnings before Interest, Depreciation and Tax (EBITDA)

EBITDA for the year grew by 40.8% to ₹ 860.3 crores as against ₹ 611.0 crores in FY2013. The margins as a percentage of total income were higher at 19.0% as compared with 17.2% for FY2013. Growth in EBITDA for FY2014 was driven by higher revenues.

Finance Costs

Finance costs for the year were higher by 82.5% at ₹ 1,049.6 crores as compared with ₹ 575.0 crores in FY2013 on account of funds raised to expand the financial services businesses. Finance costs for FY2014 also include one-time charges of ₹ 178 crores, mainly on account of discounting of Abbott receivables for investing in lending operations.

Depreciation

Depreciation for FY2014 was higher at ₹ 246.9 crores as compared with ₹ 209.6 crores in FY2013 on account of increase in fixed assets of Pharma Solutions business, Critical Care business and DRG.

Taxation

Increase in tax expenses from ₹ 24.8 crores in FY2013 to ₹ 62.8 crores in FY2014 was mainly on account of taxes paid on income of subsidiaries.

Profit / Loss after Minority Interest and Share in Profit / Loss of Associates and Earning Per Share (EPS)

Loss after Minority Interest and share in profit / loss of associates for the year was ₹ 501.4 crores as against a loss of ₹ 227.3 crores in FY2013. The increase in this loss was on account of higher finance costs in FY2014. EPS for the year was at ₹ (29.1) per share.

Balance Sheet

₹ in Crores

Particulars	As at 31st March, 2014	As at 31st March, 2013
Liabilities		
Share Capital	34.5	34.5
Reserves and Surplus	9,286.6	10,689.1
Minority Interest	-	11.8
Loan Funds	9,551.9	7,688.1
Deferred Tax Liability / (Asset)	(40.9)	(46.0)
Total Liabilities	18,832.1	18,377.5
Assets		
Net Fixed Assets	6,682.1	6,081.4
Investments	9,445.8	7,876.8
Net Working Capital	2,704.2	4,419.3
Total Assets	18,832.1	18,377.5

Loan Funds

Total Debt as on March 31, 2014 was ₹ 9,551.9 crores, compared to ₹ 7,688.1 crores as on March 31, 2013. Debt / Equity ratio was 1.02 as on March 31, 2014, compared to 0.72 as on March 31, 2013. Debt increased during the year mainly on account of loans taken for expanding the financial services businesses.