

Piramal Enterprises Limited



**Annual
Report
2015-16**

Transforming consistently. Delivering value.

24%

CAGR of Annual Revenues over the last 28 years

27%

CAGR of PBITDA over the last 28 years

Over

28%

Annualised return to shareholders over the last 28 years ¹

Over

₹24,900 Crores

Current market capitalisation of the Company ²

Over

₹5,500 Crores

Capital returned to shareholders through dividends and buyback till date

Over

₹30,000 Crores

Total value created ³

Note:

1. Assumed dividend re-invested in the stock
2. Market capitalisation as on May 31, 2016
3. Merely less than ₹500 Crores of external capital raised till date. Includes initial capital invested in the company in 1988

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

'Change' is the only thing constant in the world. Companies which are able to embrace continuous 'change' to grow faster have come out as better performers than the rest. 'Change' involves implementing finite initiatives or executing a defined shift in the way an organisation carries out its activities, however, it may or may not encompass the whole organisation.

Unlike 'change', 'transformation' doesn't focus on a few discrete, defined shifts. It involves implementing a portfolio of initiatives. More importantly, the overall goal of 'transformation' is not just to execute a defined change, but to re-invent the organisation by discovering a new or revised business model, based on a vision for the future.

What distinguishes high performers from the rest is their ability to pull off this difficult feat of transformation - to move from the maturity stage of one business, to the growth stage of another business. Companies that remain most successful for a much longer period are the ones that make re-invention a regular part of their business strategy.

We, at Piramal Enterprises Limited (PEL) have followed this philosophy by demonstrating our ability to consistently transform, evolve and create positive changes. This applies throughout our history. We have displayed foresight and entrepreneurial acumen by identifying opportunities ahead of time and pursuing them diligently. The breadth and depth of our evolution over the years is a story of strategic soundness and efficient execution. Today, each of our businesses is a story of evolution and value-delivery.

PEL is now charting the path to its next leg of growth. With its three distinct and attractive business lines (Healthcare, Financial Services and Information Management), the Company is all set to emerge as market leaders in these areas.

This Annual Report captures our journey of consistent transformation and value creation. It also gives readers a glimpse of what to expect from us, next.

Contents

STRATEGIC OVERVIEW	2-35
Piramal Enterprises at a Glance	2
Healthcare	4
Financial Services	6
Information Management	8
Chairman's Message	10
FY2016 Highlights	14
Our Journey of Transformation	15
Journey of Evolution - FY1989 to FY2010	16
Corporate Structure in FY2011	18
Journey of Evolution – FY2011 to FY2016	20
Corporate Structure in FY2016	22
Efficient Capital Allocation	24
Grown Consistently Every Quarter	25
Unparalleled Track Record	26
Near-Term Goal	27
Governance and Review Mechanism	28
Delivering Value to Stakeholders	32
MANAGEMENT DISCUSSION AND ANALYSIS	36-93
Financial Review	37
Operational Review-Healthcare	40
Operational Review-Financial Services	59
Operational Review-Information Management	69
Risk Management	75
Human Resources	78
Information Technology	82
Environment, Health and Safety	85
Corporate Social Responsibility	87
10-Year Financial Highlights	93
BOARD & MANAGEMENT PROFILES	94-101
Board of Directors	94
Management Team	99
Awards and Recognition	102
STATUTORY REPORTS	103-154
Report on Corporate Governance	104
Board's Report	118
Annexures to Board's Report	126
FINANCIAL STATEMENTS	155-275
STANDALONE	
Independent Auditors' Report	154
Balance Sheet	162
Statement of Profit and Loss	163
Cash Flow Statement	164
Notes to Financial Statements	166
Form AOC-1	212
CONSOLIDATED	
Independent Auditors' Report	217
Consolidated Balance Sheet	222
Consolidated Statement of Profit and Loss	223
Consolidated Cash Flow Statement	224
Notes to Consolidated Financial Statements	226
Notice	276

PIRAMAL ENTERPRISES AT A GLANCE

Piramal Enterprises Limited (PEL) is a leading Indian business conglomerate, with its presence in Healthcare, Financial Services and Information Management sectors, across 100 countries and manufacturing bases in India, US, Europe and Canada.

Our Purpose

Doing Well and Doing Good

The values that guide our unique culture are embodied in our purpose: Doing Well and Doing Good. We believe that individual success and organisational growth cannot be exclusive of responsible and ethical business practices. Our purpose provides clear guidance to our people and ensures that we identify the right partners to create mutual, enduring value.

We stay true to our purpose of Doing Well and Doing Good by following three simple tenets:

- **Making a positive difference**
We aim to make a positive difference through our products, services, customer focus and innovation led research.
- **Serving people**
We aim to serve people; our customers, community, employees, partners and stakeholders by putting their needs and well-being first.
- **Living our values**
We live our values in our everyday actions, decisions and conduct at a personal as well as a corporate level.

The philosophy of Doing Well and Doing Good, along with our core values of Knowledge, Action & Care have been constant in our journey and serve as guideposts to help us become the company we would like to be.

Our Values

At Piramal Group, our core values of Knowledge, Action and Care have been an integral part of our guiding philosophy. These values represent our deeply held beliefs and define us at the individual as well as organisational levels.

Shaped by our past and collective experience, they determine how we engage with others, what we identify with and what we love and value.

We encourage a deep understanding of these core values and believe in institutionalising them across our entire organisation so as to build a distinctive Piramal culture.

Knowledge

Expertise/Innovation

- We strive for a deeper understanding of our domain.
- We aspire to do things creatively.

Action

Entrepreneurship/Integrity

- We are empowered to act decisively and create value.
- We are consistent in our thought, speech and action.

Care

Trusteeship/Humility

- We protect and enhance the interests of our customers, community, employees, partners and shareholders.
- We aspire to be the best, yet strive to be humble.

Among top 10

integrated global CDMOs offering both APIs and Formulations

Among the top

providers of financing to real estate developers in India

Among top 3

players in Inhalation Anaesthesia globally

OUR BUSINESSES



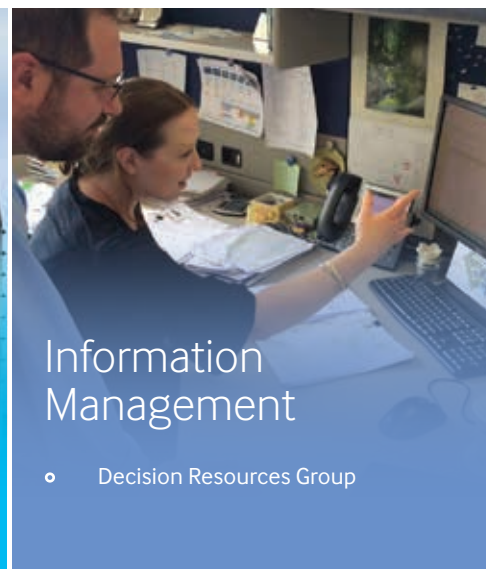
Healthcare

- Pharma Solutions
- Critical Care
- Consumer Products



Financial Services

- Wholesale Lending
- Alternative Asset Management
- Investments in Shriram Group

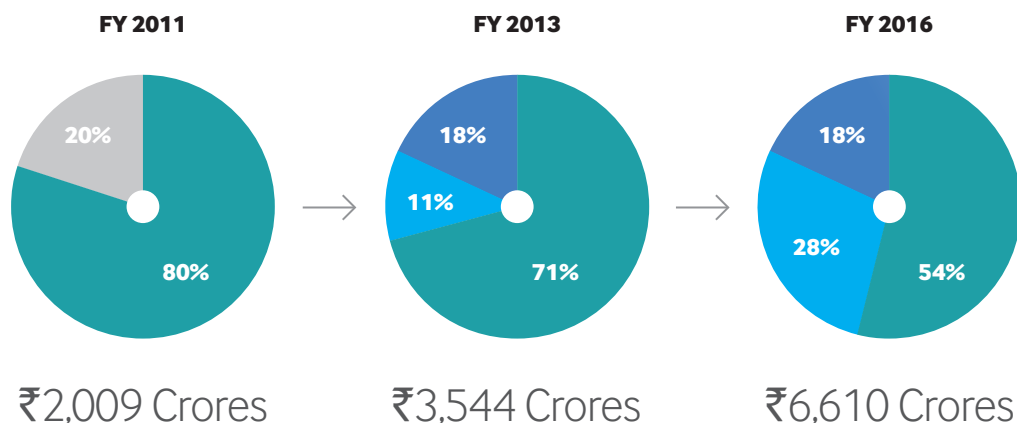


Information Management

- Decision Resources Group

Movement in revenue mix (%)

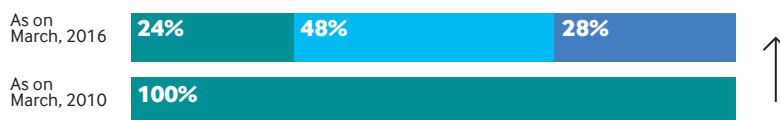
Changing revenue mix over last few years



* Others include treasury income.

Movement in capital employed mix* (%)

Significant shift in the capital employed to the sectors generating high growth and strong returns



*Excludes unallocated portion of capital employed

Among the best

across globe in terms of quality, reliability and regulatory compliance in CMO space

Among top 7

OTC players in India

Gold standard

service provider of healthcare data, analytics, and insights

Healthcare

In the healthcare space, PEL has a strong presence in Pharma Solutions, Critical Care and Consumer Products businesses.



Pharma Solutions (PPS)

FY2016 Revenues

₹2,290 Crores

18%

5- year Revenue CAGR

- Among the top integrated global Contract Development and Manufacturing Organisations (CDMOs) offering both APIs and Formulations
- 10 manufacturing facilities across the eastern and western parts of the world
- All key sites are periodically approved by USFDA
- Address customers' needs across the drug life cycle
- Serve most of the top 7 global pharma companies
- World's leader in Antibody Drug Conjugates (ADCs)
- Growing faster-than-market over years

Critical Care (PCC)

FY2016 Revenues

₹876 Crores

18%

5- year Revenue CAGR

- Among top three players in Inhalation Anaesthesia segment globally
- Only global company with all four generations of inhalation anaesthetic products
- Rapidly grew its global market share from 3% in FY2009 to 12% currently
- Presence in 118 countries, including a strong presence across major markets such as US, Europe and Japan
- State-of-the-art manufacturing facilities located in the US and India, in adherence to global standards

Consumer Products (OTC)

FY2016 Revenues

₹393 Crores

18%

7- year Revenue CAGR

- Strong brand portfolio - include key brands such as Saridon, i-pill and Lacto Calamine
- Most brands are among the top two in their respective markets
- In India's OTC market, the business has moved up from the 40th position in 2007 to 7th position currently
- Reaching to 3,50,000 outlets across 1,500 towns with 20,000+ population
- JV with Allergan is the India leader in ophthalmology

Financial Services

PEL's Financial Services segment offers a complete suite of financial products to meet the diverse needs of its customers.



The Company has created its unique positioning in the financial services space through its strong presence in the following sub-segments:

Wholesale Lending

Loan Book

₹13,048 Crores

25%+ RoE

- Lending to real estate developers and under special situation opportunities (in various sectors including renewables, cement, transportation, infrastructure, etc.)
- Largely invested in Mumbai, Pune, Bengaluru, Chennai, NCR and Hyderabad
- Entered 145 transactions with 81 leading developers
- Entered into Construction Finance during FY2015
- Managed by highly talented and experienced teams of 140 professionals, with a healthy mix of investing and operating experience
- Strategic alliances with large reputed partners like APG and CPPIB
- ~60% of the team is engaged in monitoring of assets

Alternative Asset Management

AUM

₹8,717 Crores

- Currently manages 7 funds, 3 third party mandates and 2 managed accounts
- Invested in 57 projects across 7 cities with 25 leading developers

Investment in Shriram Group

Amount invested

₹4,583 Crores

Through investments in Shriram Group companies, the Company has an exposure to the retail financing segments such as used and new commercial vehicles, small and medium enterprises, consumer and gold loans, and other products such as life Insurance and general insurance.

- 20% stake in Shriram Capital (SCL).
Invested ₹2,146 Crores.
- ~10% stake in Shriram Transport Finance (STFC).
Invested ₹1,636 Crores.
- ~10% stake in Shriram City Union Finance (SCUF).
Invested ₹801 Crores.
- Mr. Ajay Piramal is the Chairman of Shriram Capital.

Information Management

PEL's Information Management business is a global, market leading, decision support platform in the healthcare information services sector.

