



**Piramal Life Sciences**  
knowledge action care

**ANNUAL REPORT** 2011-2012

## **THE BOARD OF DIRECTORS**

Somesh Sharma, Chairman

N.L. Bhatia  
(w.e.f 2<sup>nd</sup> February, 2012)

Gautam Doshi

Rajesh Laddha  
(w.e.f 2<sup>nd</sup> February, 2012)

## **BANKERS**

- Axis Bank Limited
- Credit Agricole Corporate and Investment Bank
- HDFC Bank Limited
- ICICI Bank Limited
- Yes Bank Limited
- Central Bank of India

## **REGISTERED OFFICE**

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

## Contents

Management Discussion & Analysis.....	3
Corporate Governance .....	6
Notice .....	20
Directors' Report.....	26
Auditors' Report.....	33
Balance Sheet .....	36
Statement of Profit & Loss.....	37
Cash Flow Statement .....	38
Notes to Financial Statements.....	40



## MANAGEMENT DISCUSSION & ANALYSIS

### Demerger of NCE R&D unit into Piramal Healthcare Limited:

During the year, the NCE R&D unit of the Company was demerged into Piramal Healthcare Limited (PHL) with effect from 1<sup>st</sup> April, 2011, under the Scheme of Arrangement sanctioned by the Hon'ble Bombay High Court. Under the demerger scheme, each shareholder was allotted one fully paid up equity share of ₹ 2 of PHL for every four equity shares of ₹ 10 each held in the Company. All assets and liabilities of the NCE division were transferred to PHL at book value.

Consequent to the demerger, the business of the Company mainly comprises of marketing of herbal products.

### Industry Overview:

The global nutritional supplements industry is quite fragmented, with many small and large companies operating in the sphere. The US, Europe and Japan collectively hold a major share in the global market. In the coming years, the share of Asia is expected to increase, mainly because of the supplement market's growth in China.

### Business and Strategy:

Piramal Life Sciences Limited (PLSL) is engaged in marketing novel healthcare solutions from natural sources adhering to stringent norms for standardisation, validation and product development ensuring world class quality and consistent performance. The Company plans to leverage India's biodiversity and vast pool of knowledge in traditional medicinal systems such as Ayurveda as a source for new medications.

PLSL offers proprietary medicinal products that are made from standardised herbal extracts. The intrinsic benefits of herbal products include greater efficacy, little or no side effects and affordable prices. Currently, PLSL is engaged in the global marketing of two types of finished pharmaceutical dosage forms, wherein the active ingredients are derived from natural sources:

- **Phytopharmaceuticals:** The phyto-active constituents used in these products have been developed through in-house research, hence are novel and therefore patented or patentable.
- **Proprietary Formulations:** The phyto-active constituents used in these products are already known and available in the industry, but the formulations have been designed and developed by us for specific usage.

These products are classified under various regulatory categories in different countries depending on the local laws, such as Food Supplements, Herbal Supplements, Nutraceuticals or Traditional Herbal Medicine. In India these products are licensed under the Dept. of AYUSH as Proprietary Ayurvedic Medicine.

PLSL focuses on global marketing of products. Manufacturing is outsourced on Loan License basis. Currently the products are registered and marketed in countries such as USA, UK, Romania, Georgia, Algeria, Singapore, Sri Lanka and Moldova through our marketing & distribution partners in the respective countries.

The Company is registered with the Pharmaceutical Export Promotion Council (PHARMEXCIL), Govt. of India and is actively engaged in promoting the cause of scientific, safe & effective herbal products through participation in relevant events and conferences in India and internationally.

### Internal Control Systems:

The Company has a sound internal control system, which ensures that all assets are protected against loss from unauthorized use and all transactions are recorded and reported correctly. The internal control systems are further supplemented by internal audit carried out by an independent firm of Chartered Accountants and periodical review by management. The Audit Committee of the Board addresses issues raised by both, the Internal Auditors and the Statutory Auditors.

### Human Resources:

Consequent to the demerger of NCE unit into Piramal Healthcare Limited, there has been a significant reduction in the number of employees. Except for this change, there is no other material development as far as Human Resources is concerned. The Company continues to focus on its core values of Knowledge, Action and Care and these are reflected in the action and behaviour of our employees.

### Opportunities & Threats:

The global herbal supplements market is estimated to reach US\$ 93 billion by the year 2015, spurred by increasing incidence of ageing population and consumer awareness about general health and well being. An increasing inclination towards healthier natural herbs and botanical derivatives is likely to lead to continued growth in this market. However, scientific research and clinical trials corroborating safety claims of herbal supplements and remedies remain a critical factor in determining long-term success in the market place.

### Risks & Concerns:

Our Company sells herbal products to countries other than India. Each country has its own set of regulations governing the herbal industry. Our inability to be compliant with all the regulations across the countries that we do business in could affect the performance of our Company. As our Company has earnings in foreign currencies, any significant changes in foreign exchange rate can adversely impact our sales and earnings.

### PERFORMANCE HIGHLIGHTS:

The Income statement and Balance Sheet presented below are prepared for the continuing business (i.e. excluding financials of NCE R&D division which is demerged into Piramal Healthcare Limited).

### Income Statement

(₹ in Million)

Year ended March 31	2012	2011	Growth
<b>Income</b>			
Sales	28.5	23.3	22.3%
Other Income	3.3	0.4	—
<b>Expenditure</b>			
Total Operating Expenses	56.7	26.8	111.6%
(Loss) Before Interest, Depreciation and Tax	(24.9)	(3.1)	—
Less: Interest Paid (Net)	—	—	—
(Loss) Before Depreciation and Tax	(24.9)	(3.1)	—
Less: Depreciation	46.2	—	—
(Loss) Before Tax	(71.1)	(3.1)	—
Less: Tax Expenses	—	—	—
(Loss) For the Year	(71.1)	(3.1)	—
Earnings / (Loss) Per Share (Basic / Diluted) (₹) (Face value of ₹ 10/- each)	(2.7)	(0.1)	—

### Net Sales:

After demerger of NCE R&D division, PLSL is focusing on herbal products business where it sells products in the less regulated markets. During the year, PLSL made sales of ₹ 28.5 million against ₹ 23.3 million in FY2011.

### Earnings Before Interest, Depreciation and Tax (EBITDA):

The operating expenditure increased to ₹ 56.7 million as compared to ₹ 26.8 million in FY2011 mainly due to:

1. Increased employee costs due to hiring of new employees
2. Increased legal and professional charges due to spend on registrations of products in new geographies and for entering newer geographies
3. Increased advertisement, business promotion and travelling expenses as we focused on growing this business

As a result, Loss before interest, depreciation and taxes was higher at ₹ 24.9 million for FY2012 as compared to ₹ 3.1 million for FY2011.

**Balance sheet**

(₹ in Million)

As at March 31	2012	2011
<b>LIABILITIES</b>		
<b>Shareholders' funds</b>		
Share Capital	259.6	254.5
Reserves and surplus	(36.4)	34.7
<b>Non-Current liabilities</b>		
Long term borrowings	—	—
Long term provisions	0.2	0.1
<b>Current liabilities</b>		
Short term borrowings	—	—
Trade payables	7.8	3.1
Other current liabilities	11.9	0.2
Short term provisions	0.1	—
<b>Total Liabilities</b>	<b>243.2</b>	<b>292.6</b>
<b>ASSETS</b>		
<b>Non-Current assets</b>		
Tangible assets	5.5	5.5
Intangible assets	183.6	229.5
<b>Long term loans and advances</b>	<b>3.1</b>	<b>0.7</b>
<b>Current assets</b>		
Inventories	1.3	1.6
Trade receivables	18.6	13.0
Cash and bank balance	27.9	39.6
Short term loans and advances	3.2	2.7
<b>Total Assets</b>	<b>243.2</b>	<b>292.6</b>

# Report on Corporate Governance

A report for the financial year ended 31<sup>st</sup> March, 2012 on the compliance by the Company with the Corporate Governance requirements under Clause 49 of the Listing Agreement, is furnished below.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long-term shareholder value and enhances interests of all stakeholders. It brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value.

The Company's essential character is shaped by the values of transparency, customer satisfaction, integrity, professionalism and accountability. The Company continuously endeavors to improve on these aspects. The Board views Corporate Governance in its widest sense. The main objective is to create and adhere to a corporate culture of integrity and consciousness, transparency and openness. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. The Company's philosophy on Corporate Governance is guided by the Company's philosophy of Knowledge, Action and Care.

The Board of Directors fully supports and endorses corporate governance practices as enunciated in Clause 49 of the Listing Agreement as applicable from time to time.

## 2. BOARD OF DIRECTORS

As can be seen from the following paragraphs, your Company's Board comprises individuals who are reputed in respective fields of science, finance, business and management.

### A. Changes during the year

Consequent to the Demerger of NCE Research Unit of the Company into Piramal Healthcare Limited ('PHL') the Board of Directors of the Company was reconstituted. The details of the reconstitution are given below:

- I. Mr. Rajesh Laddha and Mr. N.L. Bhatia were appointed as Directors with effect from 2<sup>nd</sup> February, 2012, in casual vacancies caused by the resignation of Prof. Goverdhan Mehta and Sir Ravinder Maini respectively;
- II. Dr. Somesh Sharma ceased to be the Managing Director of the Company with effect from 2<sup>nd</sup> February, 2012, but continues as the Member of the Board and has been appointed Chairman of the Company;
- III. Mr. Ajay G. Piramal, Dr. (Mrs.) Swati A. Piramal, Dr. R.A. Mashelkar and Mr. N. Santhanam resigned as Directors of the Company with effect from 2<sup>nd</sup> February, 2012.

The Board places on record its appreciation of the invaluable contributions made by the outgoing Directors during their association with the Company.

### B. Composition and Size of the Board

The composition of your Company's Board, which comprises four Directors, is given in the table below and is in conformity with clause 49 of the Listing Agreement with the Stock Exchanges.

As will be seen from the following table, none of the Directors hold directorship in more than 15 public limited companies, nor is any of them a member of more than ten Committees of the prescribed nature or holds Chairmanship of more than five such Committees across all public limited companies in which they are Directors. The Board does not have any Nominee Director representing any institution.



Name of Director	Other Directorships <sup>1</sup>		Membership of other Board Committees <sup>2</sup>	
	as Member	as Chairman	as Member	as Chairman
<b>Non-Executive Directors</b>				
Somesh Sharma	—	—	—	—
Rajesh Laddha	6	—	1	—
<b>Non-Executive Independent Directors</b>				
Gautam Doshi	8	—	4	3
N.L. Bhatia	1	—	1	—

**Note:**

1. This includes directorships in public limited companies and subsidiaries of public limited companies and excludes directorships in private limited companies, overseas companies, companies under section 25 of the Companies Act, 1956 and Alternate Directorships.
2. This relates to Committees referred to in clause 49 of the Listing Agreement, viz. Audit Committee and Investors Grievance Committee. This excludes Remuneration Committee which is not considered for the purpose of computing maximum limits under clause 49.

**C. Board Meetings and Procedures**

There are a minimum of four pre-scheduled Board meetings held every year. Apart from these, additional Board meetings are convened to address the specific needs of the Company. In case of business exigencies or matters of urgency, resolutions are passed by circulation, as permitted by law.

Detailed presentations are made to the Board covering operations, business performance, finance, sales, marketing and related details. All necessary information including but not limited to those mentioned in Annexure I A to Clause 49, are placed before the Board of Directors. The Members of the Board are at liberty to bring up any matter for discussions at the Board Meetings and the functioning is democratic. Members of the Senior management team are invited to attend the Board Meetings as and when required, which provides additional inputs to the items being discussed by the Board.

**I. Meetings Held & Attendance**

Five Board meetings were held during the year, as against the minimum statutory requirement of four meetings. The Company has held at least one Board meeting in every quarter and the maximum time gap between any two meetings was not more than four months, thereby complying with applicable statutory requirements:

Sr. No.	Date of Board Meeting	Board strength	No. of Directors present
1	29 <sup>th</sup> April, 2011	8	6
2	6 <sup>th</sup> May, 2011	8	5
3	9 <sup>th</sup> August, 2011	8	7
4	13 <sup>th</sup> October, 2011	8	6
5	2 <sup>nd</sup> February, 2012	8	5

The meeting of 13<sup>th</sup> October, 2011, was adjourned to 2<sup>nd</sup> November, 2011.

**II. Details of Directors attendance at Board Meetings and the last Annual General held on 9<sup>th</sup> August, 2011 are given in the following table**

Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Ajay G. Piramal	5	5	Yes
Swati A. Piramal	5	5	Yes
Goverdhan Mehta	5	5	Yes
N. Santhanam	5	4	Yes
R.A. Mashelkar	5	3	Yes
Ravinder Maini	5	2	Yes
Somesh Sharma	5	5	Yes

**Note:**

- Mr. Ajay G. Piramal, Dr. (Mrs.) Swati A. Piramal, Mr. N. Santhanam and Dr. R.A. Mashelkar resigned as Directors with effect from 2<sup>nd</sup> February, 2012;
- Mr. Gautam Doshi could not attend any of the Board meetings held during the year on account of compelling personal reasons;
- Mr. Rajesh Laddha and Mr. N.L. Bhatia were appointed as Directors with effect from 2<sup>nd</sup> February, 2012, in casual vacancies caused by the resignation of Prof. Goverdhan Mehta and Sir Ravinder Maini respectively.

**D. Shareholding of Non-Executive Directors**

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on 31<sup>st</sup> March, 2012 are given below:

Name	No. of shares held
Dr. Somesh Sharma	525,526
Mr. Rajesh Laddha	949
Mr. Gautam Doshi	16,101

**E. Details of the Director seeking re-appointment at the forthcoming Annual General Meeting:****Dr. Somesh Sharma**

Dr. Somesh Sharma is the Chairman of the Company. He was the Managing Director of the Company until 2<sup>nd</sup> February, 2012, when he ceased to be the the Managing Director and continues as a Non-Executive Director and was appointed as Chairman of the Company, pursuant to the reconstitution of the Board which was undertaken upon the demerger of the NCE Research Unit of the Company into Piramal Healthcare Limited ('PHL') coming into effect. Prior to being appointed as Managing Director of the Company, Dr. Sharma was the Chief Scientific Officer at PHL since November 2002, responsible for all R&D related activities of PHL. With the aforesaid demerger coming into effect, Dr. Sharma now once again is responsible for the Drug Discovery & Development related activities at PHL and has been designated as Chief Executive Officer - Drug Discovery & Development of PHL.

Dr. Sharma is a US citizen and was in the USA from mid 1967 to late 2002 where he pursued advanced studies to obtain a Doctorate in Pathology from the University of Maryland School of Medicine. He did his Post Doctoral Fellowship at Harvard and Stanford Medical Schools. Dr. Sharma was the recipient of a post doctoral fellowship and Young Investigators Award from the National Cancer Institute and was the principal and co-principal investigator of research grants from the National Institute of Health ('NIH'). As of today, Dr. Somesh Sharma holds 20 issued patents and more than 30 pending patents applications. He has over 100 scientific publications to his credit.

Dr. Sharma was a reviewer of grants for the NIH and the Veterans Administration. He was also an ad hoc reviewer for The Journal of Immunology, Infection and Immunity and Leukocyte Biology. He has been invited to speak in numerous scientific conferences and symposiums. More recently, Dr. Sharma was the member of Research Council of IGIB, Delhi and IICT and CCMB, Hyderabad.

Dr. Sharma has more than three decades of multifaceted experience in academic and pharmaceutical research and has co-founded companies like Anergen, Wizard Laboratories, S2 Pharmaceuticals and Calyx Therapeutics Inc. Dr. Sharma secured over US\$100 million in private and public monies for the companies he started before returning to India at the end of 2002.

Dr. Sharma is not on the Board of any other public limited company or subsidiary of public limited company in India.