



Piramal Life Sciences Limited
ANNUAL REPORT 2012-2013

THE BOARD OF DIRECTORS

Somesh Sharma, Chairman

N.L. Bhatia

Gautam Doshi

Rajesh Laddha

AUDITORS

M/s. Haribhakti & Co.,

Chartered Accountants

Race Course Circle,

Vadodara – 390 007

Gujarat, India

BANKERS

Axis Bank Limited

HDFC Bank Limited

REGISTERED OFFICE

Piramal Tower,

Ganpatrao Kadam Marg,

Lower Parel,

Mumbai – 400 013, India.

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This Annual Report can also be accessed at the Company's website, www.pls-l.com



MANAGEMENT DISCUSSION & ANALYSIS

Performance Highlights:

Income Statement

(₹ in Million)

Year ended March 31	2013	2012	Growth
Income			
Sales	52.4	28.5	83.8%
Other Income	7.1	3.3	115.6%
Expenditure			
Total Operating Expenses	76.5	56.7	35.0%
(Loss) Before Interest, Depreciation and Tax	(17.0)	(24.9)	—
Less: Interest Paid (Net)	0.4	—	—
(Loss) Before Depreciation and Tax	(17.4)	(24.9)	—
Less: Depreciation	46.2	46.2	—
(Loss) Before Tax	(63.6)	(71.1)	—
Less: Tax Expenses	—	—	—
(Loss) For the Year	(63.6)	(71.1)	—
Earnings / (Loss) Per Share (Basic / Diluted) (₹) (Face value of ₹ 10/- each)	(2.4)	(2.7)	—

Net Sales:

PLSL offers proprietary medicinal products that are made from standardised herbal extracts. During the year, PLSL's sales increased by ~84% to ₹ 52.4 million as against ₹ 28.5 million in FY2012.

Earnings before Interest, Depreciation and Tax (EBITDA):

The operating expenditure increased by 35.0% to ₹ 76.5 million as compared to ₹ 56.7 million in FY2012 mainly due to increased professional charges paid towards product registration in the European Union and Japan.

As a result, Loss before interest, depreciation and taxes was lower at ₹ 17.0 million for FY2013 as compared with ₹ 24.9 million for FY2012.

Interest:

Interest expenses of ₹ 0.4 million were incurred this year on account of short term loans taken for working capital.

Profit / Loss for the year and Earning Per Share (EPS)

Loss for the year was lower at ₹ 63.6 million as compared with ₹ 71.1 million for FY2012 and EPS for the year was at ₹ (2.4) per share.

Balance Sheet

(₹ in Million)

As at March 31	2013	2012
LIABILITIES		
Shareholders' funds		
Share Capital	259.6	259.6
Reserves and surplus	(100.0)	(36.4)
Non-Current liabilities		
Long term provisions	0.6	0.2
Current liabilities		
Short term borrowings	2.5	—
Trade payables	4.0	7.8
Other current liabilities	0.9	11.9
Short term provisions	0.2	0.1
Total Liabilities	167.8	243.2
ASSETS		
Non-Current assets		
Tangible assets	5.2	5.5
Intangible assets	137.7	183.6
Long term loans and advances	5.9	5.6
Current assets		
Inventories	—	1.3
Trade receivables	17.4	18.6
Cash and bank balance	1.3	27.9
Short term loans and advances	0.3	0.7
Total Assets	167.8	243.2

Industry Overview:

The global market for Nutraceuticals is expected to exceed US\$200 billion by 2017. Major trends influencing the market include growing competition, maturing markets in the developed regions, higher disposable incomes leading to greater personal care in the developing markets, etc. The largest regional markets for nutraceuticals include the US, followed by Europe and Japan. Aging population, growing health care spending and rising interest towards self-medication and preventive healthcare have been the key market drivers in above markets. Developing markets are expected to grow faster in both production and consumption of nutraceuticals, given the rapid pace of development of food and beverage, pharmaceutical and nutritional industries in Asian and other emerging markets.

Business and Strategy:

Piramal Life Sciences Limited (PLSL) is engaged in marketing globally novel healthcare solutions from natural sources. Consequent to the demerger of the Company's NCE R&D unit into Piramal Enterprises Limited (formerly known as Piramal Healthcare Limited) with effect from April 1, 2011, PLSL has been focused on marketing its products in countries such as USA, UK, Romania, Georgia, Algeria, Singapore, Sri Lanka and Moldova through country specific marketing & distribution partners. Manufacturing of these

products, which is outsourced on Loan License basis, is done by adhering to stringent norms for standardisation, validation and product development ensuring world class quality and consistent performance. Currently, the Company deals in two types of finished pharmaceutical dosage forms:

Evidence Based Phytopharmaceuticals, which are research developed, clinically validated, patented single ingredient products that offer new options in the therapeutic or personal care arena, and

Polyherbal Formulations, which are based on the classical wisdom of Ayurveda and are being consumed in many countries across the globe.

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 Department of AYUSH as Proprietary Ayurvedic Medicine. 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.

The Company is registered with the Pharmaceutical Export Promotion Council (PHARMEXCIL), Government 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 Enterprises Limited (formerly known as Piramal Healthcare Limited), there was a significant reduction in the number of employees. There is no other material change in the number of employees.

Risks & Concerns:

PLSL sells herbal products to countries other than India. Each country has its own set of regulations governing the herbal industry. Inability to comply with all the regulations in these countries could affect the performance of the Company.

As the Company has earnings in foreign currencies, any significant changes in foreign exchange rate can adversely impact sales and earnings.

Also, 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.

Disclaimer:

Certain statements included above may be forward looking and would involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward looking statements.

REPORT ON CORPORATE GOVERNANCE

A report for the financial year ended March 31, 2013 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. 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 ¹		Membership of other Board Committees ²	
	as Member	as Chairman	as Member	as Chairman
Non-Executive Directors				
Dr. Somesh Sharma	—	—	—	—
Mr. Rajesh Laddha	6	—	1	—
Non-Executive Independent Directors				
Mr. Gautam Doshi	9	—	4	3
Mr. 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.

B. Board Meetings and Procedures

There are a minimum of four Board meetings held every year. Apart from these, additional Board meetings may be 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.

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	May 19, 2012	4	3
2	August 3, 2012	4	4
3	August 11, 2012	4	4
4	November 6, 2012	4	3
5	February 1, 2013	4	4

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting (AGM) held on August 3, 2012 are given in the following table

Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Dr. Somesh Sharma	5	4	Yes
Mr. Rajesh Laddha	5	5	Yes
Mr. Gautam Doshi	5	4	Yes
Mr. N.L. Bhatia	5	5	Yes

C. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2013 are given below:

Name	No. of shares held
Dr. Somesh Sharma	5,25,526
Mr. Rajesh Laddha	949
Mr. Gautam Doshi	16,101

D. Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting:

Mr. Gautam Doshi is retiring by rotation at the ensuing Annual General Meeting (AGM) and is eligible for re-appointment.

Mr. N.L. Bhatia and Mr. Rajesh Laddha were appointed as Directors of the Company, liable to retire by rotation, with effect from February 2, 2012, in the casual vacancies caused by the resignation of Sir Ravinder Maini and Prof. Goverdhan Mehta respectively. They hold office upto the date of this AGM and are eligible for appointment as Directors.

The profiles of each of these Directors are given below.

Mr. Gautam Doshi

Mr. Gautam Doshi is a Chartered Accountant with nearly 36 years of experience. He is currently Group Managing Director, Reliance Anil Dhirubhai Ambani Group and on the Board of a number of public limited companies. He started out as a practicing Chartered Accountant and was a partner of M/s. Bansi S. Mehta & Co. between 1978 and 1991. He joined RSM & Co. as a partner in 1997 and continued as a partner and also as a Director of Ambit Corporate Finance Pte Ltd. till 2005. He was elected for three consecutive terms to the Western India Regional Council of The Institute of Chartered Accountants of India and was its Chairman for the year 1982-83. He was elected for two consecutive terms to the Council of the Institute of Chartered Accountants of India between 1991 and 1997. He was Member of Managing Committee and Chairman of the Indirect Taxation Committee of the Indian Merchants' Chamber for two years, 1999-2000 and 2000-2001.

His other directorships in public limited companies and subsidiaries of public limited companies in India are:

Sr. No.	Name of the Company	Designation & Membership of Board Committees referred to in Clause 49 of the Listing Agreement
1.	Reliance Anil Dhirubhai Ambani Group Limited	▪ Director
2.	Reliance Big TV Limited	▪ Director ▪ Member – Audit Committee
3.	Reliance Broadcast Network Limited	▪ Director
4.	Reliance Communications Infrastructure Limited	▪ Director ▪ Member – Audit Committee
5.	Reliance Home Finance Limited	▪ Director
6.	Reliance Media Works Limited	▪ Director ▪ Member– Audit Committee ▪ Chairman – Investor Grievances Committee
7.	Reliance Telecom Limited	▪ Director ▪ Member – Audit Committee
8.	REL Utility Engineers Limited	▪ Director ▪ Chairman – Audit Committee
9.	Sterlite Industries (India) Limited	▪ Director ▪ Chairman – Audit Committee

Mr. N.L. Bhatia

Mr. N.L. Bhatia is one of the senior most Company Secretaries in practice since 1982 and presently practices in the name and style of N.L. Bhatia & Associates (a partnership firm).

After acquiring membership of the Institute in 1967, he served in Secretarial and Legal Departments of J.K. Group and Voltas (a Tata Group Company) and entered in practice in 1982.

As a practitioner of long standing, he has developed expertise in all facets of Company Law and Capital Market regulations and regularly advises corporate clients on matters relating to incorporation of companies, issue of securities through prospectus, Joint Venture Agreements, Stock Exchange and Securities & Exchange Board of India compliances, etc. His experience include functioning as scrutinizer in conducting Postal Ballots of leading companies, formulating schemes of arrangements for merger, amalgamation and de-merger, due-diligence in the areas of Company Law and secretarial practice, establishing Venture Capital Fund, and representing clients before SEBI in matters relating to Takeover and registration of VCF, MF and Custodian services.