



Piramal Phytocare
knowledge action care

Piramal Phytocare Limited

(Formerly known as "Piramal Life Sciences Limited")

ANNUAL REPORT 2013-2014

THE BOARD OF DIRECTORS

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.piramalphytocare.com



MANAGEMENT DISCUSSION AND ANALYSIS

Performance Highlights:

Income Statement

(₹ in Million)

Year ended March 31	2014	2013	Growth
Income			
Sales	59.6	52.4	13.7%
Other Income	2.2	7.1	-69.0%
Expenditure			
Total Operating Expenses	58.0	76.5	-24.2%
Profit / (Loss) Before Interest, Depreciation and Tax	3.8	(17.0)	—
Less: Interest Paid (Net)	—	0.4	—
Profit/(Loss) Before Depreciation and Tax	3.8	(17.4)	—
Less: Depreciation	46.1	46.2	-0.2%
(Loss) Before Tax	(42.3)	(63.6)	—
Less: Tax Expenses	—	—	—
(Loss) For the Year	(42.3)	(63.6)	—
Earnings / (Loss) per Share (Basic / Diluted) (₹) (Face value of ₹ 10/- each)	(1.6)	(2.4)	—

Net Sales:

Piramal Phytocare Limited (PPL) (formerly known as 'Piramal Life Sciences Limited') is engaged in marketing globally novel healthcare solutions from natural sources. During the year, PPL's sales increased by ~14% to ₹ 59.6 million as against ₹ 52.4 million in FY2013, driven by domestic sales.

Earnings before Interest, Depreciation and Tax (EBITDA):

Operating expenditures were lower by 24.2% at ₹ 58.0 million as compared to ₹ 76.5 million in FY2013 mainly due to lower legal and professional charges and promotional expenditure. These expenses were higher in FY2013 on account of one-time costs related to product registration in the European Union and Japan.

The Company recorded a profit of ₹ 3.8 million at the EBITDA level this year as compared with a loss of ₹ 17.0 million for FY2013.

Interest:

No interest expenses were incurred this year on account of repayment of short term loans taken last year for working capital. The interest expenses incurred in FY2013 were ₹ 0.4 million.

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

Loss for the year was lower at ₹ 42.3 million as compared with a loss of ₹ 63.6 million for FY2013 primarily on account of better profits at an operating level and no interest cost this year. EPS for the year was at ₹ (1.6) per share.

Balance Sheet

(₹ in Million)

As at March 31	2014	2013
LIABILITIES		
Shareholders' funds		
Share Capital	259.6	259.6
Reserves and surplus	(142.3)	(100.0)
Non-Current liabilities		
Long term provisions	0.3	0.6
Current liabilities		
Short term Borrowings	—	2.5
Trade payables	6.9	4.0
Other Current Liabilities	2.2	0.9
Short Term Provisions	—	0.2
Total Liabilities	126.7	167.8
ASSETS		
Non-Current assets		
Tangible assets	5.0	5.2
Intangible assets	91.8	137.7
Long term loans and advances	5.8	5.9
Current assets		
Inventories	—	—
Trade receivables	14.3	17.4
Cash and bank balance	9.0	1.3
Short term loans and advances	0.8	0.3
Total Assets	126.7	167.8

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.

Business and Strategy:

Piramal Phytocare Limited (PPL) offers proprietary medicinal products that are made from standardised herbal extracts. With effect from April 1, 2011, the NCE R&D unit of PPL (formerly known as 'Piramal Life Sciences Limited') was demerged into Piramal Enterprises Limited, the flagship company of the Piramal Group. The word 'Life Sciences' in the name of the Company appropriately reflected the research and development activity carried out then by the Company. Consequent to this demerger, the Company's focus shifted to product development and marketing of herbal products globally. In August 2013, the Company's name was changed to 'Piramal Phytocare Limited' to reflect this change in the business profile.

The Company deals in two types of finished pharmaceutical dosage forms- Phytopharmaceuticals and Proprietary Formulations, wherein the active ingredients are derived from natural sources. The former type, Phytopharmaceuticals, consists of patented single ingredient products that offer new options in the therapeutic or personal care arena. The clinically validated phyto-active constituents used in these products are novel as they have been developed through in-house research. The latter, Proprietary Formulations, finds its roots in the classical wisdom of Ayurveda and is being consumed in many countries across the globe. The phyto-active constituents used in these products are well known and are already available in the industry, but the formulations have been designed, developed and standardized for specific use by PPL.

While marketing of PPL's products is done through country specific marketing & distribution partners, manufacturing is outsourced on Loan License basis. The manufacturing process is subject to stringent norms for standardisation, validation and product development, ensuring world class quality and consistent performance. 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 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.

The Company plans to leverage the vast pool of knowledge in traditional medicinal systems and biodiversity that India has to offer as a source of new medication.

Change of name to Piramal Phytocare Limited

The Company's name stands changed from 'Piramal Life Sciences Limited' to 'Piramal Phytocare Limited' with effect from August 22, 2013. This change in name was done to appropriately reflect the business profile of the Company.

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:

Employees are the most important assets at PPL. There was no material change in the number of employees this year.

During FY2014, various initiatives were taken up to cascade the Piramal Group values of 'Knowledge, Action, Care' amongst the employees. These initiatives have ensured better understanding of and alignment of behaviours with the values amongst the employees.

Risks & Concerns:

PPL 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, 2014 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

A. Changes during the year

Dr. Somesh Sharma, Chairman ceased to be the Director of the Company with effect from October 15, 2013.

B. Composition and Size of the Board

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

Name of Director	Other Directorships ¹		Membership of other Board Committees ²	
	as Member	as Chairman	as Member	as Chairman
Non-Executive Directors				
Mr. Rajesh Laddha	7	—	1	—
Non-Executive Independent Directors				
Mr. Gautam Doshi	7	—	4	1
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 Nomination & Remuneration Committee which is not considered for the purpose of computing maximum limits under clause 49.

C. Board Meetings and Procedures

I. Meetings Held & Attendance

Four Board meetings were held during the year. 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 8, 2013	4	3
2.	July 31, 2013	4	3
3.	October 24, 2013	3	3
4.	February 6, 2014	3	3

Detailed presentations are made to the Board covering operations, business performance, finance, sales 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.

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting (AGM) held on July 31, 2013 are given in the following table

Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Dr. Somesh Sharma*	2	—	No
Mr. Rajesh Laddha	4	4	Yes
Mr. Gautam Doshi	4	4	Yes
Mr. N. L. Bhatia	4	4	Yes

* Resigned w.e.f. October 15, 2013

D. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2014 are given below:

Name	No. of shares held
Mr. Rajesh Laddha	949
Mr. Gautam Doshi	16,101

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

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

It is proposed to appoint the Independent Directors, Mr. N. L. Bhatia and Mr. Gautam Doshi for a fixed term of 5 years in line with the requirements of Section 149 of the Companies Act, 2013.

The profiles of each of these Directors are given below.

Mr. Rajesh Laddha

Mr. Rajesh Laddha is the Chief Financial Officer of Piramal Enterprises Limited, the flagship company of the Piramal Group. He has been with the Piramal Group for over a decade and currently manages the overall finance function for the Group.

Prior to joining the Piramal Group, Mr. Laddha gained significant experience in the FMCG sector and has worked with leading brands such as Coca Cola India.

Mr. Laddha is a qualified Chartered Accountant (Rank Holder) and a CPA from USA (Rank Holder). He has also done his Management Accounting (CIMA) from UK and MBA from University of Chicago, USA.

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.	Allergan India Private Limited	▪ Director
2.	Oxygen Bio Research Private Limited	▪ Director
3.	PHL Infrastructure Finance Company Private Limited	▪ Director
4.	Piramal Pharmaceutical Development Services Private Limited	▪ Director
5.	Piramal Systems & Technologies Private Limited	▪ Director
6.	Vodafone India Limited (upto April 11, 2014)	▪ Director ▪ Member – Audit Committee
7.	Piramal Investment Advisory Services Private Limited	▪ Director

Mr. N. L. Bhatia

Mr. Navnit Lal Bhatia, is a fellow Member of the Institute of Company Secretaries of India (FCS). He has a masters degree in Arts and Law from Mumbai University. He also holds a Certificate of Diploma in Tax Management from Mumbai University. He has over four decades of experience in Company Law, Securities Laws and Capital Markets. He commenced his career as Company Secretary in 1967 and in initial 15 years of his career served as a senior executive position in Secretarial and Legal Department of large companies like J.K. Group and Voltas (a TATA Group Company).

He was appointed as the Chairman of Western India Regional Council of the Institute of Company Secretaries of India (ICSI) in 1989. He was also founder chairman of CCGRT of ICSI. He is on the panel of Arbitration of National Commodity and Derivatives Exchange Limited (NCDEX) and Bombay Chamber of Commerce & Industry. He is also President of Investor Education & Welfare Association (IEWA), a SEBI Registered Association. He is also a Trustee of the Investor Protection Fund of Bombay Stock Exchange Limited.

He has authored the following books:

- (i) SEBI Substantial Acquisition of Shares And Takeover Code 1994
- (ii) Takeover Games And SEBI Takeover Regulations, 1997

As regards other directorships in public limited companies and subsidiaries of public limited companies in India are concerned he is a Director and Member of the Audit Committee of ICICI Investment Management Company Limited

Mr. Gautam Doshi

Mr. Gautam Doshi, a Chartered Accountant and Masters in Commerce, is the Group Managing Director of Reliance Anil Dhirubhai Ambani Group, a conglomerate with interests in telecom, power, infrastructure, entertainment and financial services sectors.

Mr. Doshi has more than 35 years of experience in wide range of areas covering Mergers and Acquisitions, Direct, Indirect and International Taxation, Transfer Pricing, Accounting and Corporate and Commercial Laws. He has been actively involved in conceptualizing and implementing a number of mergers and restructuring transactions both domestic and cross border, involving many of the top 20 listed companies on the BSE as also those forming part of FTSE 100.