

Annual Report 2014 - 2015

Piramal Phytocare Limited

(Formerly known as Piramal Life Sciences Limited)

THE BOARD OF DIRECTORS

N. L. Bhatia

Gautam Doshi

Rajesh Laddha

Vandana Sonavaria

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

(Rs. in Million)

Year ended March 31	2015	2014	Growth
Income			
Sales	45.4	59.6	(23.9%)
Other Income	3.8	2.2	70.5%
Expenditure			
Total Operating Expenses	37.4	58.0	(35.4%)
Profit / (Loss) Before Interest, Depreciation and Tax	11.8	3.8	207.6%
Less: Interest Paid (Net)	–	–	–
Profit/(Loss) Before Depreciation and Tax	11.8	3.8	207.6%
Less: Depreciation	46.4	46.1	0.6%
(Loss) Before Tax	(34.6)	(42.3)	–
Less: Tax Expenses	–	–	–
(Loss) For the Year	(34.6)	(42.3)	–
Earnings / (Loss) per Share (Basic / Diluted) (Rs.) (Face value of Rs. 10/- each)	(1.3)	(1.6)	–

Net Sales:

Piramal Phytocare Limited (PPL) is engaged in marketing globally novel healthcare solutions from natural sources. During the year, PPL's sales were lower by 23.9% to Rs. 45.4 million as against Rs. 59.6 million in FY2014 on account of decline in demand in international markets.

Profit before Interest, Depreciation and Tax (EBITDA):

Operating expenditures were lower by 35.4% at Rs. 37.4 million as compared to Rs. 58.0 million in FY2014 primarily on account of lower raw material and manpower cost, compared to the previous year.

The Company recorded a profit before interest, depreciation and tax of Rs. 11.8 million during the year as compared with Rs. 3.8 million for FY2014 mainly on account of decline in operating expenses.

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

On account of higher profit at an operating level and no interest cost incurred this year, loss for the year was lower at Rs. 34.6 million as compared with a loss of Rs. 42.3 million for FY2014. EPS for the year was at Rs. (1.3) per share.

Balance Sheet

(Rs. in Million)

As at March 31	2015	2014
LIABILITIES		
Shareholders' funds		
Share Capital	259.6	259.6
Reserves and surplus	(176.9)	(142.3)
Non-Current liabilities		
Long term provisions	0.6	0.3
Current Liabilities		
Short term Borrowings	–	–
Trade payables	4.6	6.9
Other Current Liabilities	0.2	2.2
Short Term Provisions	0.0	–
Total Liabilities	88.1	126.7
ASSETS		
Non-Current assets		
Tangible assets	4.4	5.0
Intangible assets	45.9	91.8
Long term loans and advances	5.1	5.8
Current assets		
Inventories	3.4	–
Trade receivables	18.3	14.3
Cash and bank balance	9.5	9.0
Short term loans and advances	1.0	0.8
Other current assets	0.5	–
Total Assets	88.1	126.7

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 Phytocare Limited (PPL) offers proprietary medicinal products that are made from standardised herbal extracts. The Company is engaged in global marketing of finished pharmaceutical dosage forms especially Proprietary Formulations, wherein the active ingredients are derived from natural sources. Polyherbal Formulations, finds its roots in the classical wisdom of Ayurveda and are being consumed in many countries across the globe such as Georgia, Algeria, Moldova, UAE, Singapore, Sri Lanka

and India. 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.

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:

There is no material change in the number of employees.

Risks & Concerns:

PPL sells herbal products to various countries including 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, 2015 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 stakeholder 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 stakeholder 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. 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. Vandana Sonavaria was appointed as an Additional Director (Non-Executive) of the Company w.e.f. March 24, 2015.

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 and other applicable regulatory requirements.

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	6	—	—	—
Dr. Vandana Sonavaria	—	—	—	—
Non-Executive Independent Directors				
Mr. Gautam Doshi	9	—	4	1
Mr. N. L. Bhatia	2	—	1	—

Note:

¹ This excludes directorships in foreign companies.

² This relates to membership of Committees referred to in Clause 49 of the Listing Agreement, viz. Audit Committee and Stakeholders Relationship Committee of all public limited companies, whether listed or not and excludes private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. This excludes Nomination and Remuneration Committee which is not considered for the purpose of computing maximum limits under Clause 49.

▪ Role of Non-Executive / Independent Directors

Non-Executive / Independent Directors play a key role in the decision-making process of the Board and in shaping various strategic initiatives of the Company. These Directors are committed to act in what they believe to be in the best interest of the Company and its stakeholders. These Directors are professionals, with expertise and experience in general corporate management, science and innovation, public policy, finance and other allied fields. This wide knowledge of their respective fields of expertise and best-in-class boardroom practices, helps foster varied, unbiased,

independent and experienced perspective. The Company benefits immensely from their inputs in achieving its strategic direction.

▪ **Meeting of Independent Directors**

The Company's Independent Directors met on February 13, 2015 without the presence of Non-Executive Directors or members of the management and reviewed matters pertaining to Performance Evaluation of the Board / Committees and the Directors. All the Independent Directors attended the Meeting.

▪ **Familiarization Programme for Independent Directors**

The Company has established a Familiarization Programme for Independent Directors. The details of this familiarization programme have been uploaded on the website of the Company. The web-link to this is <http://piramalphytocare.com/investors/>

C. Board Meetings and Procedures

I. Meetings Held

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:

April 29, 2014	July 17, 2014
October 20, 2014	February 13, 2015

Details presented to the Board include operations, business performance, finance, sales and related details. All necessary information including but not limited to those mentioned in Annexure X 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 held on July 17, 2014 are given in the following table

Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Mr. Rajesh Laddha	4	4	Yes
Mr. Gautam Doshi	4	4	Yes
Mr. N. L. Bhatia	4	4	Yes
Dr. Vandana Sonavaria*	—	—	—

* appointed w.e.f. March 24, 2015

D. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2015 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.

Dr. Vandana Sonavaria was appointed as an Additional Director (Non-Executive) of the Company w.e.f. March 24, 2015. The Directors recommend her appointment for the approval of the shareholders.

The profiles of each of these Directors are given below.

Mr. Rajesh Laddha

Mr. Rajesh Laddha is currently the Group Chief Financial Officer (CFO) for the Piramal Group. He possesses very rich work experience of about 25 years in India and overseas. He has significant experience in areas such as Corporate Finance, Structuring, Taxation including International Taxation, Strategy, Investments, M&A, Corporate Governance and Business Finance.

He has played a very critical role in executing the overall strategy for the Group and successfully driven some of the major transactions such as Sale of Domestic Business to Abbott, investment and divestment of Vodafone stake and investment in Shriram Group of Companies.

He is currently performing a very critical and active role towards Group's objective of achieving its stated long-term vision.

He is a Chartered Accountant (CA, India) and Certified Public Accountant (CPA, USA). He has also done his MBA from University of Chicago and Masters in Management from University of Mumbai.

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.	Piramal Systems & Technologies Private Limited	▪ Director
3.	Piramal Investment Advisory Services Private Limited	▪ Director
4.	PEL Finhold Private Limited	▪ Director
5.	Piramal Healthcare Foundation	▪ Director
6.	PHL Infrastructure Finance Company Private Limited	▪ Director

Mr. Laddha holds 949 shares of the Company.

Dr. Vandana Sonavaria

Dr. Vandana Sonavaria is working in the capacity of Vice President-Pharma Manufacturing Services in Piramal Enterprises Limited, the flagship company of the Piramal Group.

Dr. Sonavaria has over twenty years of experience in the Global Pharmaceutical Industry, of which 14 years were in USA and 6 years in India.

She has also worked in the capacity of Director in Sico Inc, a Division of Teva Pharmaceuticals in California, USA.

Dr. Sonavaria is 49 years of age and has done her Ph.D with honors from Massachusetts College of Pharmacy, Boston, USA, with a specialization in Pharmaceutics and Industrial Pharmacy.

Dr. Sonavaria does not hold Directorship in any other Company or any Committee membership in the Board Committees referred to in Clause 49 of the Listing Agreement.

Dr. Sonavaria does not hold any shares of the Company.

3. Board Committees

In addition to administrative Committees, your Board has constituted the following Committees.