

Annual Report 2015 - 2016

Piramal Phytocare Limited

BOARD OF DIRECTORS

N. L. Bhatia

Gautam Doshi

Rajesh Laddha

Vandana Sonavaria

MANAGER

Ashish Suthar

CHIEF FINANCIAL OFFICER

Karthik Muralidharan

COMPANY SECRETARY

Maneesh Sharma

AUDITORS

M/s. Haribhakti & Co.,

Chartered Accountants

Race Course Circle,

Vadodara – 390 007

Gujarat, India

BANKERS

HDFC Bank Limited

REGISTERED OFFICE

Piramal Tower,

Ganpatrao Kadam Marg,

Lower Parel,

Mumbai – 400 013, India.

CONTENTS

Management Discussion & Analysis	3
Report on Corporate Governance	6
Notice	18
Board's Report	26
Auditors' Report	52
Balance Sheet.....	58
Statement of Profit & Loss	59
Cash Flow Statement	60
Notes to Financial Statements	62

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



MANAGEMENT DISCUSSION AND ANALYSIS

Performance Highlights:

Income Statement

(₹ in Lakhs)

Year ended March 31	2016	2015	Growth
Income			
Sales	632.0	453.6	39.3%
Other Income	25.8	37.0	(30.3%)
Expenditure			
Total Operating Expenses	523.1	372.5	40.4%
Profit / (Loss) Before Interest, Depreciation and Tax	134.7	118.1	14.1%
Less: Interest Paid (Net)	0.3	—	—
Profit/(Loss) Before Depreciation and Tax	134.4	118.1	13.8%
Less: Depreciation	463.2	464.0	(0.2%)
(Loss) Before Tax	(328.8)	(345.9)	—
Less: Tax Expenses	—	—	—
(Loss) For the Year	(328.8)	(345.9)	—
Earnings / (Loss) per Share (Basic / Diluted) (₹) (Face value of ₹ 10/- each)	(1.27)	(1.33)	—

Net Sales:

Piramal Phytocare Limited (PPL) is engaged in marketing globally novel healthcare solutions from natural sources. During the year, PPL's sales were higher by 39.3% to ₹ 632.0 lakhs as against ₹ 453.6 lakhs in FY2015 on account of increase in demand in international markets.

Profit before Interest, Depreciation and Tax (EBITDA):

Operating expenditures were higher by 40.4% at ₹ 523.1 lakhs as compared to ₹ 372.5 lakhs in FY2015 primarily on account of higher raw material and manpower cost, compared to the previous year.

The Company recorded a profit before interest, depreciation and tax of ₹ 134.7 lakhs during the year as compared with ₹ 118.1 lakhs for FY2015 mainly on account of increase in net sales.

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

On account of higher profit at an operating level, loss for the year was lower at ₹ 328.8 lakhs as compared with a loss of ₹ 345.9 lakhs for FY2015. EPS for the year was at ₹ (1.3) per share.

Balance Sheet

(Rs. in Lakhs)

As at March 31	2016	2015
LIABILITIES		
Shareholders' funds		
Share Capital	2,596.0	2596.0
Reserves and surplus	(2,097.5)	(1,768.7)
Non-Current liabilities		
Long term provisions	8.8	6.0
Current Liabilities		
Short term Borrowings	-	-
Trade payables	57.7	44.3
Other Current Liabilities	55.4	2.1
Short Term Provisions	2.5	0.0
Total Liabilities	622.9	879.7
ASSETS		
Non-Current assets		
Tangible assets	39.8	43.9
Intangible assets	-	459.0
Long term loans and advances	50.1	50.6
Current assets		
Inventories	49.8	34.2
Trade receivables	146.7	183.1
Cash and bank balance	319.6	94.9
Short term loans and advances	10.7	9.5
Other current assets	6.2	4.5
Total Assets	622.9	879.7

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 standardized 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,

Ukraine, Kazakhstan, 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 standardization, 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 be a vertically integrated company with the capability to develop new products from discovery through clinical development and launch worldwide. At the same time the management is open to partnerships that can accelerate the commercialization and worldwide availability of Piramal Phytocare proprietary products.

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, 2016 on the compliance by the Company with the Corporate Governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations'), 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 in accordance with the provisions of the erstwhile Clause 49 of the Listing Agreement and Chapter IV of the Listing Regulations.

2. Board of Directors

A. Composition and Size of the Board

The composition of your Company's Board, which comprises 4 Directors, is given in the table below and is in conformity with Regulation 17(1) of the Listing Regulations and other applicable regulatory requirements. There are no Nominee Directors representing any institution on the Board of the Company.

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	8	–	–	–
Dr. Vandana Sonavaria	–	–	–	–
Non-Executive Independent Directors				
Mr. Gautam Doshi	11	–	4	1
Mr. N. L. Bhatia	2	–	1	–

Notes:

¹ This excludes directorships in foreign companies and companies licensed under Section 8 of the Companies Act, 2013 / Section 25 of the Companies Act, 1956.

² This relates to membership of Committees referred to in Regulation 26(1) of the Listing Regulations, 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 licensed under Section 8 of the Companies Act, 2013 / Section 25 of the Companies Act, 1956.

• 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, corporate laws, 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.

An Independent Director is the Chairman of each of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee.

- **Meeting of Independent Directors**

The Company's Independent Directors met on February 4, 2016 without the presence of Non-Executive Directors or members of 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 framework of the Familiarization Programme has been uploaded on the website of the Company. The web-link to this is <http://piramalphytocare.com/investors/>

- **Board Evaluation**

Evaluation of performance of all Directors is undertaken annually. The Company has implemented a system of evaluating performance of the Board of Directors and of its Committees and individual Directors on the basis of a structured questionnaire which comprises evaluation criteria taking into consideration various performance related aspects.

The Board of Directors has expressed their satisfaction with the evaluation process.

- **Inter-se relationships among Directors**

There are no Inter-se relationships among the Directors.

B. Board Meetings and Procedures

The yearly calendar for the Board / Committee meetings is fixed well in advance and is in confirmation with the availability of the Directors, so as to facilitate active and consistent participation of all Directors in the Board / Committee meetings. Video conferencing facilities are provided to enable Directors who are unable to attend the meetings in person to participate in the meeting via video conferencing.

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 Part A of Schedule II to the Listing Regulations, are placed before the Board of Directors. The Members of the Board are at liberty to bring up any matter for discussion at the Board meetings and the functioning is democratic.

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 one hundred and twenty days, thereby complying with applicable statutory requirements.

The meetings were held on the following dates:

May 8, 2015	August 12, 2015
October 31, 2015	February 4, 2016

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting (AGM) held on August 12, 2015 are given in the following table:

Name of Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Mr. Rajesh Laddha	4	3	No
Mr. Gautam Doshi	4	4	Yes
Mr. N. L. Bhatia	4	4	Yes
Dr. Vandana Sonavaria	4	4	Yes

C. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2016 is given below:

Name of Director	No. of Shares held
Mr. Rajesh Laddha	949
Mr. Gautam Doshi	16,480

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

Dr. Vandana Sonavaria is retiring by rotation at the ensuing Annual General Meeting (AGM) and is eligible for re-appointment.

The profile of Dr. Vandana Sonavaria is given below:

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 comprise in USA and 6 years in India.

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

Dr. Sonavaria is 50 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 the Listing Regulations.

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

3. Statutory Board Committees

A. Audit Committee

I. Constitution of the Committee

The Audit Committee comprises three members as per details in the following table:

Name	Category
Mr. Gautam Doshi – Chairman	Non-Executive, Independent
Mr. N. L. Bhatia	Non-Executive, Independent
Mr. Rajesh Laddha	Non-Executive

All the members of the Committee have sound knowledge of finance, accounts and business management. The Chairman of the Committee, Mr. Gautam Doshi, is a Chartered Accountant and has extensive accounting and related financial management expertise.