



Annual Report 2016 - 2017
Piramal Phytocare Limited

BOARD OF DIRECTORS

N. L. Bhatia

Gautam Doshi

Rajesh Laddha

Rashida Najmi
(w.e.f. April 12, 2017)

MANAGER

Rajiv Salvi
(w.e.f. February 8, 2017)

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

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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 Lakhs)

Year ended March 31	2017	2016	Growth
Income			
Sales	412.64	632.02	(34.71%)
Other Income	28.91	25.76	12.22%
Expenditure			
Total Operating Expenses	418.16	518.22	(19.30%)
Profit/(Loss) Before Interest, Depreciation and Tax	23.39	139.56	(83.24%)
Less: Interest Paid (Net)	0.24	0.29	(17.24%)
Profit/(Loss) Before Depreciation and Tax	23.15	139.27	(83.37%)
Less: Depreciation	4.17	463.18	(99.09%)
Profit / (Loss) Before Tax	18.98	(323.91)	—
Less: Tax Expenses	—	—	—
Net Profit / (Loss) after Tax	18.98	(323.91)	—
Other Comprehensive Income / (Loss)	(12.03)	(4.89)	—
Total Comprehensive Income / (Loss) for the period	6.95	(328.80)	—
Earnings / (Loss) per Share (Basic/Diluted) (₹) (Face value of ₹ 10/- each)	0.07	(1.25)	—

Net Sales:

Piramal Phytocare Limited (PPL) is engaged in marketing globally novel healthcare solutions from natural sources. During the year, PPL's sales declined 34.71% to ₹ 412.64 lakhs as against ₹ 632.02 lakhs in FY2016 on account of decrease in demand in international markets.

Profit before Interest, Depreciation and Tax (EBITDA):

Operating expenditures were lower by 19.30% at ₹ 418.16 lakhs as compared to ₹ 518.22 lakhs in FY2016 primarily on account of lower sales, although employee benefit expense and other expenses have increased as a percent of sales, compared to the previous year.

The Company recorded a profit before interest, depreciation and tax of ₹ 23.39 lakhs during the year as compared with a profit of ₹ 139.56 lakhs for FY2016 mainly on account of decrease in net sales.

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

Goodwill has been fully amortised in FY2016, hence Net profit after Tax for the year was at ₹ 18.98 lakhs as compared with a loss of ₹ 323.91 lakhs for FY2016. EPS for the year was at ₹ 0.07 per share.

Balance Sheet

(Rs. in Lakhs)

As at March 31	2017	2016
Non-Current Assets		
Property, Plant & Equipment	35.58	39.75
Intangible Assets	—	—
Other Non Current Assets	52.20	50.13
Total Non-Current Assets	87.78	89.88
Current Assets		
Inventories	30.58	49.77
Financial Assets:		
(i) Trade Receivables	124.26	146.68
(ii) Cash & Cash equivalents	37.73	119.13
(iii) Bank balances other than (ii) above	250.50	200.50
(iv) Other Financial Assets	4.58	6.23
Other Current Assets	37.61	10.69
Total Current Assets	485.26	533.00
Total Assets	573.04	622.88
Equity		
Equity Share capital	2,596.03	2,596.03
Other Equity	(2,090.54)	(2,097.49)
Total Equity	505.49	498.54
Liabilities		
Non-Current Liabilities		
Provisions	13.71	8.78
Current Liabilities		
Financial Liabilities:		
(i) Trade Payables	38.99	57.60
(ii) Other Financial Liabilities	1.42	1.51
Other Current Liabilities	2.94	53.93
Provisions	10.49	2.52
Total Current Liabilities	53.84	115.56
Total Equity and Liabilities	573.04	622.88

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.

We plan to be a vertically integrated company with the capability to develop new products which would in addition to medications and dietary supplements also include cosmeceuticals, from discovery through 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, 2017 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, Care and Impact.

The Board of Directors fully supports and endorses the Corporate Governance practices being followed by the Company.

2. Board of Directors

A. Changes in the Board of Directors

Dr. Vandana Sonavaria, Non-Executive Director, stepped down as a Director of the Company with effect from February 21, 2017, in view of her pre-occupation and other commitments. The Board places on record its appreciation and gratitude for the invaluable contribution made by Dr. Vandana Sonavaria during her tenure as a member of the Board of Directors.

The Board has appointed Ms. Rashida Najmi as Non-Executive, Non-Independent Director (Woman Director) in the casual vacancy caused by the resignation of Dr. Vandana Sonavaria on April 12, 2017.

B. 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	11	–	1	–
Ms. Rashida Najmi (From April 12, 2017)	–	–	–	–
Non-Executive Independent Directors				
Mr. Gautam Doshi	10	–	3	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.

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.

- **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 interests of the Company and its stakeholders. These Directors are professionals, with expertise and experience in general corporate management, 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 the Audit Committee, the Nomination & Remuneration Committee and of the Stakeholders Relationship Committee.

- **Meeting of Independent Directors**

The Company's Independent Directors met on March 24, 2017 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 together with the details of the Familiarization Programme conducted 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 relationship among Directors**

There are no inter-se relationships among the Directors

C. 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 available to Directors who may be unable to attend the meetings in person, to participate in the meeting via video conferencing, as permitted by law.

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 14, 2016	August 5, 2016
October 25, 2016	February 8, 2017

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting (AGM) held on August 4, 2016 are given in the following table:

Name of 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 (Upto February 21, 2017)	4	4	Yes

Note: Ms. Rashida Najmi, having been appointed with effect from April 12, 2017, her name is not included in the above table.

D. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2017 is given below:

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

E. Details of Director seeking 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.

Brief profile of Mr. Rajesh Laddha is given below:

Mr. Rajesh Laddha

Mr. Rajesh Laddha is currently the Group Chief Financial Officer for Piramal Group and has over 25 years of overall experience in the field of Finance. He currently oversees the entire Finance function for Piramal Group, including Piramal Enterprises Limited. He has been part of senior management team at the Piramal Group and has also contributed significantly towards the Group's Strategy and Vision for the year 2020.

He has extensive experience in areas such as Corporate Finance, M&A, Strategy, Investments, Structuring and Taxation. He has been very closely associated with the businesses of Piramal Group and actively participates in the affairs of these businesses.

He has been deeply involved in various large transactions including sale of business to Abbott, investment in Vodafone India Limited and purchase of strategic stake in Shriram Group Companies.

He has been on the Board of Vodafone India Limited and currently, is a member of the Board of Shriram Capital Limited and Allergan India Private Limited.

He is an MBA from University of Chicago, USA. He is also a qualified Chartered Accountant from India, a Certified Public Accountant from the USA and a Certified Management Accountant from the UK.

He is 49 years old and was first appointed as a Director on the Board of the Company with effect from February 2, 2012.

He does not hold Directorships or any Committee membership in the Board Committees of any other listed entity.

Mr. Laddha holds 949 shares of the Company.

F. Details of Director appointed during the year:

The Board has appointed Ms. Rashida Najmi as Non-Executive, Non-Independent Director (Woman Director) on April 12, 2017.

Brief profile of Ms. Rashida Najmi is given below:

Ms. Rashida Najmi

Ms. Rashida Najmi heads the Corporate Quality, Regulatory, Pharmacovigilance ('PV') and Patents functions of Piramal Enterprises Limited, the flagship company of the Piramal Group.

She is responsible for establishing and implementing quality standards, handling inspections and maintaining regulatory track records of various regulatory agencies like FDA (Food and Drug Administration), MHRA (Medicines and Healthcare products Regulatory Agency), PMDA (Pharmaceuticals and Medical Devices Agency), TGA (Therapeutic Goods Administration), Health Canada, etc. to name a few.

She is 51 years old and has over 26 years of experience in quality management of NCE (New Chemical Entity) [NDA (New Drug Application), IND (Investigational New Drug Application)], CRO (Contract Research Organization), API (Active Pharmaceutical Ingredients) - intermediates and drug substance, Formulations (drug product), Product development, Clinical and medical devices.

Responsibilities handled by her during her ongoing tenure at Piramal, include establishing "Quality, Regulatory, PV and Patents" as drivers for business growth, interpreting regulatory guidance and formulating Piramal approach to its compliance, orchestrating team to enable "Best in Class" systems across Piramal businesses, interactions with regulators and customers to articulate Piramal Quality, regulatory and PV standards, driving organizational transformation by laying down executable targets to continuous improvement.

She is a Pharmacist and a postgraduate in Human Resources and is a Qualified Lead Auditor in ISO 9000 and ISO 14000 from BSI London and QMI, UK respectively, certified in HACCP (Hazard analysis and critical control points) from UN/ FAO, 5'S' from JMA (Japan Meteorological Agency), OHSAS (Occupational Health and Safety Assessment Series).

In July 2015, World Quality Congress awarded her with the title of "50 Most Influential Quality Professionals". She has been a jury member in several academic and quality awards and also an active member of industry forums like ISPE (International Society of Pharmaceutical Engineers), IDMA (Indian Drug Manufacturers' Association), PDA (Parenteral Drug Association) and RAPS (Regulatory Affairs Professionals Society).

She does not hold Directorships or any Committee membership in the Board Committees of any other Company.

She 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.