



Annual Report 2017-2018
Piramal Phytocare Limited

BOARD OF DIRECTORS

N. L. Bhatia

Gautam Doshi

Rajesh Laddha

Rashida Najmi

MANAGER

Rajiv Salvi

CHIEF FINANCIAL OFFICER

Karthik Muralidharan

COMPANY SECRETARY

Maneesh Sharma

AUDITORS

Price Waterhouse Chartered Accountants LLP,
252, Veer Savarkar Marg,
Shivaji Park, Dadar (West),
Mumbai – 400 028

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	2018	2017	Growth
Income			
Sales	2,381.38	412.64	477%
Other Income	21.94	28.91	{24%}
Expenditure			
Total Operating Expenditure	4,644.15	418.16	1011%
Profit / (Loss) Before Interest, Depreciation and Tax	(2,240.83)	23.39	–
Less : Interest Paid (net)	1.59	0.24	–
Profit / (Loss) Before Depreciation and Tax	(2,242.42)	23.15	–
Less : Depreciation	4.17	4.17	–
Profit / (Loss) Before Tax	(2,246.59)	18.98	–
Less : Tax Expenses	–	–	–
Net Profit / (Loss) After Tax	(2,246.59)	18.98	–
Other Comprehensive Income / (Loss)	(1.45)	(12.03)	–
Total Comprehensive Income / (Loss) for the period	(2,248.04)	6.95	–
Earnings / (Loss) per Share (Basic / Diluted) (₹) (Face Value of ₹ 10 each)	(8.65)	0.07	–

Net Sales:

Piramal Phytocare Limited (PPL) is engaged in marketing globally novel healthcare solutions from natural resources. During the year, PPL's sales increased 477% to ₹ 2,381.38 lakhs as against ₹ 412.64 lakhs in FY2017. The Increase was due to the addition of over-the-counter products to our product portfolio.

Operating Expenditure:

Operating expenditure was higher at ₹ 4,644.15 lakhs as compared to ₹ 418.16 lakhs in FY2017 primarily on account of increased spends on business promotion.

Profit / Loss for the year: Higher marketing spends and employee costs resulted in a loss of 2,246.59 lakhs for the current year.

Balance Sheet

(Rs. in Lakhs)

As at March 31	2018	2017
Non-Current Assets		
Property, Plant and Equipment	31.41	35.58
Intangible Assets	–	–
Other Non-current Assets	30.87	52.20
Total Non-Current Assets	62.28	87.78
Current Assets		
Inventories	31.70	30.58
Financial Assets:		
Trade Receivables	100.40	124.26
Cash & Cash equivalents	197.85	37.73
Bank balances other than (ii) above	0.50	250.50
Other Financial Assets	21.12	4.58
Other Current Assets	395.88	37.61
Total Current Assets	747.45	485.26
Total Assets	809.73	573.04
Equity		
Equity Share Capital	2,596.03	2,596.03
Other Equity	(4,338.58)	(2,090.54)
Total Equity	(1,742.55)	505.49
Liabilities		
Non-Current Liabilities		
Provisions	45.26	13.71
Current Liabilities		
Financial Liabilities:		
(i) Trade Payables	289.96	38.99
(ii) Other Financial Liabilities	117.95	1.42
Other Current Liabilities	1,993.81	2.94
Provisions	105.30	10.49
Total Current Liabilities	2,507.02	53.84
Total Equity and Liabilities	809.73	573.04

Industry Overview:

Global herbal market is estimated approximately USD 72 Billion and is expected to reach USD 117.02 Billion by 2024 and expected to grow further at CAGR of 14.88% to reach USD 7 trillion by 2050¹. The rising popularity of herbal medicines compared to conventional drugs is the main driver for growth. More than 30,000 branded and 1,500 traditional AYUSH products are available in the country. India is the world's second largest exporter of medicinal plants after China.

Less side effects and low toxicity compared to allopathy products, acceptance of herbal products over other medicines, absence of allopathic medicines especially for some chronic conditions are all key factors for growth. Furthermore, the Indian government has been supporting herbal sector through various schemes.

¹ Global Herbal Medicine Market Size, Hexa Research, April 2018

Quality is the most important issue in this segment like formulation development process & manufacturing. This is a great opportunity for Piramal Phytocare Products.

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.

In India, these products are licensed under the department of AYUSH as Proprietary Ayurvedic Medicine. The Company is registered with Pharmaceutical Export Promotion Council (PHARMEXIL), Government of India and is actively engaged in promoting the cause of Scientific, safe and effective herbal products through participation in relevant events and conferences in India and Abroad.

During the year, the company rolled out the following initiatives –

- Appointed marketing experts to strengthen its business and improve its presence in various countries, specifically in CIS and CEE countries.
- Identified ten potential Indian companies /distributors with a presence in French African, UAE and ASEAN countries to explore business opportunities in these countries.
- Listed product portfolio on “1mg”, one of India’s largest online pharmacy
- Strengthened product range, developing Cosmeceutical products such as Anti-dandruff herbal shampoo and herbal hair oil/s.
- Improved systems and processes by institutionalising Standard Operating Processes for carrying out business activities

Merger : The Board of Directors approved the scheme of amalgamation between Piramal Phytocare Limited and Piramal Enterprises Limited and their respective shareholders. The rationale of the merger is to bring together companies that are engaged in a similar consumer product business. It will also ensure focused management of the combined business resulting in organisational efficiencies, optimum utilisation of various resources, and maximising overall shareholders value.

REPORT ON CORPORATE GOVERNANCE

A report for the financial year ended March 31, 2018 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. 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	9	–	1	–
Ms. Rashida Najmi	–	–	–	–
Non-Executive Independent Directors				
Mr. Gautam Doshi	11	–	5	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 27, 2018 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.

Both 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.

B. Board Meetings and Procedures

The annual calendar for 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

Six 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:

April 12, 2017	April 26, 2017
May 26, 2017	July 28, 2017
November 7, 2017	January 31, 2018

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting(AGM) held on May 26, 2017 are given in the following table:

Name of Director	Board Meetings		Attended last AGM
	Held during tenure	Attended	
Mr. Rajesh Laddha	6	6	Yes
Mr. Gautam Doshi	6	6	Yes
Mr. N. L. Bhatia	6	6	Yes
Ms. Rashida Najmi	6	5	Yes

C. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2018 is given below:

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

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.

The composition of this Committee is in compliance with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations.

Mr. Maneesh Sharma, Company Secretary, is the Secretary to the Committee.

II. Terms of Reference

The terms of reference of the Audit Committee are aligned with the terms of reference provided under Section 177(4) of the Companies Act, 2013 and Part C of Schedule II of the Listing Regulations.

III. Meetings Held & Attendance

The Audit Committee met five times during the financial year 2017-18, on the following dates before finalisation of annual accounts and adoption of quarterly financial results by the Board:

April 12, 2017	April 26, 2017
July 28, 2017	November 7, 2017
January 31, 2018	

It can be seen from the above table that the frequency of the Committee meetings was as per the applicable regulatory requirements and the gap between two Committee meetings was not more than one hundred and twenty days.

All the five meetings were attended by all the members of the Audit Committee.

Mr. Gautam Doshi, Chairman of the Audit Committee was present at the last AGM.

B. Nomination & Remuneration Committee

I. Constitution of the Committee

The Nomination & Remuneration Committee ('NRC') 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

The composition of this Committee is in compliance with the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

II. Terms of Reference

The terms of reference of the NRC are aligned with the terms of reference provided under Section 178 of the Companies Act, 2013 and Para A of Part D of Schedule II of the Listing Regulations.

III. Meetings Held & Attendance

The Committee met once during the financial year 2017-18 on April 12, 2017. The meeting was attended by all the members of the Committee.

Mr. Gautam Doshi, Chairman of NRC was present at the last AGM.

IV. Performance evaluation criteria for Independent Directors

Performance evaluation of all Directors (including Independent Directors) is undertaken on the basis of a structured questionnaire.

The Performance Evaluation Criteria for Independent Directors comprises certain parameters like professional qualifications, experience, knowledge and competency, active participation at the Board / Committee meetings, ability to function as a team, initiative, availability and attendance at meetings, integrity, independence from the Company and other Directors and whether there is any conflict of interest, voicing of opinions freely, etc. These are in compliance with applicable laws, regulations and guidelines.

C. Stakeholders Relationship Committee

I. Constitution of the Committee

The Stakeholders Relationship Committee comprises two members, as per details in the following table:

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

The composition of this Committee is in compliance with the requirements of Section 178 of Companies Act, 2013 and Regulation 20 of the Listing Regulations.

II. Terms of Reference

The terms of reference of the Committee are aligned with the terms of reference provided under Section 178 of the Companies Act, 2013 and Para B of Part D of Schedule II of the Listing Regulations.