



Annual Report 2018-2019

Piramal Phytocare Limited

BOARD OF DIRECTORS

N.L. Bhatia

Gautam Doshi

Rajesh Laddha

Rashida Najmi

MANAGER

Rajiv Salvi

CHIEF FINANCIAL OFFICER

Ankit Kotak

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

RBL Bank Limited

CONTENTS

| | |
|--|----|
| Management Discussion & Analysis | 2 |
| Report on Corporate Governance | 5 |
| Board's Report..... | 18 |
| Auditors' Report..... | 43 |
| Balance Sheet..... | 50 |
| Statement of Profit & Loss | 51 |
| Cash Flow Statement | 52 |
| Statement of Changes in Equity | 54 |
| Notes to Financial Statements | 55 |
| Notice & Proxy Form | 77 |

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 | 2019 | 2018 |
|---|----------|------------|
| Income | | |
| Sales | 2,512.01 | 2,381.38 |
| Other Income | 5.25 | 21.94 |
| Expenditure | | |
| Total Operating Expenditure | 3,261.40 | 4,644.15 |
| Profit / (Loss) Before Interest, Depreciation and Tax | (744.14) | (2,240.83) |
| Less : Interest Paid (net) | 75.4 | 1.59 |
| Profit / (Loss) Before Depreciation and Tax | (819.54) | (2,242.42) |
| Less : Depreciation | 4.17 | 4.17 |
| Profit / (Loss) Before Tax | (823.71) | (2,246.59) |
| Less : Tax Expenses | - | - |
| Net Profit / (Loss) After Tax | (823.71) | (2,246.59) |
| Other Comprehensive Income / (Loss) | 12.60 | (1.45) |
| Total Comprehensive Income / (Loss) for the period | (811.11) | (2,248.04) |
| Earnings / (Loss) per Share (Basic / Diluted) (₹) (Face Value of ₹ 10 each) | (3.17) | (8.65) |

Net Sales:

Piramal Phytocare Limited (PPL) is engaged in globally marketing novel healthcare solutions from natural resources and supplying over-the-counter products to Piramal Enterprises Limited. During the year, PPL's sales (including Other Income) increased 5% to ₹ 2,517.26 lakhs as against ₹ 2,403.32 lakhs in FY2018.

Operating Expenditure:

Operating expenditure was reduced to ₹ 3,261.40 lakhs as compared to ₹ 4,644.15 lakhs in FY2018.

Profit / Loss for the year:

Improved Gross Margins and Lower employee costs resulted in a reduction of losses to ₹ 823.71 lakhs for the current year from ₹ 2,246.59 lakhs in FY2018.

Balance Sheet

(₹ in Lakhs)

| As at March 31 | 2019 | 2018 |
|-------------------------------------|-----------------|------------|
| Non-Current Assets | | |
| Property, Plant and Equipment | 27.24 | 31.41 |
| Other Non-current Assets | 30.87 | 30.87 |
| Total Non-Current Assets | 58.11 | 62.28 |
| Current Assets | | |
| Inventories | 12.04 | 31.70 |
| Financial Assets: | | |
| Trade Receivables | 64.32 | 100.40 |
| Cash & Cash equivalents | 106.30 | 197.85 |
| Bank balances other than above | 0.50 | 0.50 |
| Other Financial Assets | 25.34 | 21.12 |
| Other Current assets | 527.46 | 395.88 |
| Total Current Assets | 735.96 | 747.45 |
| Total Assets | 794.07 | 809.73 |
| Equity | | |
| Equity Share Capital | 2,596.03 | 2,596.03 |
| Other Equity | (5,149.69) | (4,338.58) |
| Total Equity | (2,553.66) | (1,742.55) |
| Liabilities | | |
| Non-Current Liabilities | | |
| Provisions | 15.25 | 45.26 |
| Current Liabilities | | |
| Financial Liabilities: | | |
| (i) Borrowings | 1,344.26 | - |
| (ii) Trade Payables | 1,879.28 | 289.96 |
| (iii) Other Financial Liabilities | 39.80 | 117.95 |
| Other Current Liabilities | 13.65 | 1,993.81 |
| Provisions | 55.49 | 105.30 |
| Total Current Liabilities | 3,347.73 | 2,552.28 |
| Total Equity and Liabilities | 794.07 | 809.73 |

Industry Overview:

Global herbal market is growing at about 6% CAGR and is estimated to reach USD 129 Billion by 2023. The rising popularity of herbal medicines compared to conventional drugs is the main driver for growth. Increasing use of synthetic chemicals in medicine has annoyed many consumers, who are increasingly demanding all-natural alternatives to conventional medicine. The increasing number of consumers opting for natural alternatives to conventional medicine is likely to remain the strongest driver for the global herbal medicine market. 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. More than 30,000 branded and 1,500 traditional AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) products are available in India, which is the world's second largest exporter of medicinal plants after China.

Business and Strategy:

PPL is engaged in developing and marketing standardized healthcare solutions derived from natural sources such as plants. The Company leverages India's biodiversity and vast pool of knowledge in traditional medicinal systems as a source for new medications. It offers proprietary medicinal products that are made from standardized herbal extracts. The intrinsic benefits of herbal products include greater efficacy, little or no side effects and availability at affordable prices. PPL follows stringent norms for standardization, validation and product development ensuring world class quality and consistent performance

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

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 on May 28, 2018 had approved a "Scheme of Amalgamation" ("Scheme") of Piramal Enterprises Limited, with the Company and its respective shareholders. The Scheme has been approved by the equity shareholders of the Company in their meeting convened as per the directions of the National Company Law Tribunal on April 2, 2019. The Scheme is subject to approval of regulatory authorities.

REPORT ON CORPORATE GOVERNANCE

A report for the financial year ended March 31, 2019 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 as envisaged in the Listing Regulations.

2. BOARD OF DIRECTORS

A. Composition and Size of the Board

The composition of your Company's Board, which comprises of 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 as on March 31, 2019 ¹ | | Membership of other Board Committees as on March 31, 2019 ² | | Directorships in Listed Companies and Category of Directorship as on March 31, 2019 ³ |
|---|---|-------------|--|-------------|--|
| | as Member | as Chairman | as Member | as Chairman | |
| Non-Executive Non-Independent Directors | | | | | |
| Mr. Rajesh Laddha | 7 | - | 1 | - | - |
| Ms. Rashida Najmi | - | - | - | - | - |
| Non-Executive Independent Directors | | | | | |
| Mr. Gautam Doshi | 8 | - | 4 | 2 | 1. Reliance Home Finance Limited (Non-Executive Director) 2. Sun Pharmaceutical Industries Limited (Independent Director) |
| 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 ('the Act')/ 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 Act/ Section 25 of the Companies Act, 1956.
- 3 Excludes directorship in the Company.

I. Key Board qualifications, skills, expertise and attributes

In the context of the Company's business and activities, the Company requires skills/ expertise/ competencies in the areas of General Corporate Management, Entrepreneurship, Pharmaceuticals, Quality Management, Herbal Medication, Product Development, Sale & Marketing, Corporate Governance, Corporate Laws, Strategy, Finance and Economics. The Company's Board comprises of individuals who are reputed in these skills, competence and expertise that allows them to make effective contribution to the Board and its committees.

The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, diversity and competence required for it to function effectively.

II. 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 each of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee.

Based on the disclosures received from all the Independent Directors and also in the opinion of the Board, the Independent Directors fulfil the conditions specified in the Act, the Listing Regulations and are independent of the Management.

III. Meeting of Independent Directors

The Company's Independent Directors met on February 5, 2019 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 the Independent Directors attended the meeting.

IV. 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/>

V. 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 based on the Guidance Note on Board Evaluation issued by Securities and Exchange Board of India ('SEBI').

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

VI. Inter-se relationship among Directors

None of the Directors of the Company are inter-se related to each other.

VII. Certification from Company Secretary in Practice

A certificate has been received from M/s. Dhruvil M. Shah & Co., Practising Company Secretary, that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by SEBI, Ministry of Corporate Affairs ('MCA') or any such statutory authority.

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 provided to enable active participation by Directors who are unable to attend the meetings in person.

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.

There was no instance during the financial year 2018-19, where the Board of Directors had not accepted the recommendation of any Committee of the Board.

I. Meetings Held

Four Board meetings were held during the year and the maximum time gap between any two Board 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 28, 2018 | August 2, 2018 |
| November 2, 2018 | February 5, 2019 |

II. Details of Directors attendance at Board Meetings and at the last Annual General Meeting ('AGM') held on August 2, 2018 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 |
| Ms. Rashida Najmi | 4 | 1 | No |

C. Shareholding of Non-Executive Directors

The individual shareholding of Non-Executive Directors (including shareholding as joint holder) as on March 31, 2019 is given below:

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

3. STATUTORY BOARD COMMITTEES

The Board Committees are set up by the Board and are governed by its terms of reference which exhibit the scope, composition, tenure, functioning and reporting parameters. The Board Committees play a crucial role in the governance structure of the Company and they deal with specific areas of concern for the Company that need a closer review. The Committees operate under the direct supervision of the Board and the recommendations of the Committees are submitted to the Board for approval. The minutes of the meetings of all Committees of the Board are placed before the Board for noting.

The Company has three Statutory Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders Relationship Committee.

A. Audit Committee

I. Constitution of the Committee

The Audit Committee is comprised of 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, Non - Independent |

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 the Act 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 Act and Part C of Schedule II of the Listing Regulations.

III. Meetings Held & Attendance

The Audit Committee met four times during the financial year 2018-19, and the gap between two Committee Meetings was not more than one hundred and twenty days. The date of the meeting of Committee and the attendance of the Members at the Meeting are as follow:

| Name of the Member | Date of the Audit Committee Meeting and Member's attendance | | | |
|--------------------|---|----------------|------------------|------------------|
| | May 28, 2018 | August 2, 2018 | November 2, 2018 | February 5, 2019 |
| Mr. Gautam Doshi | Yes | Yes | Yes | Yes |
| Mr. N. L. Bhatia | Yes | Yes | Yes | Yes |
| Mr. Rajesh Laddha | Yes | No | Yes | Yes |

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') is comprised of three members as per details in the following table:

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

*Appointed as Chairman w.e.f February 5, 2019

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