



ANNUAL REPORT 2009 -2010

The Board of Directors

Ajay G. Piramal, Chairman

Keki Dadiseth

Y. H. Malegam

Dr. Swati A. Piramal

Nandini Piramal
Executive Director

S. Ramadorai

R. A. Shah

Deepak Satwalekar

N. Vaghul

N. Santhanam
Executive Director and Chief Operating Officer

Management Committee

Ajay G. Piramal

Gerhard Klement

Sudarshan Jain

Rajesh Laddha

Dr. Swati A. Piramal

Nandini Piramal

Murari Rajan

N. Santhanam

Dr. Sangram Tambe

Auditors

Price Waterhouse

Solicitors

Crawford Bayley & Co.

Registered Office

Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013, India

Bankers

Allahabad Bank
Axis Bank Limited
Bank of Baroda
BNP Paribas
Citibank N.A.
Corporation Bank
Credit Agricole Corporate and
Investment Bank
HDFC Bank Limited
ICICI Bank Limited
Kotak Mahindra Bank Limited
Punjab National Bank
Standard Chartered Bank
State Bank of Hyderabad
The Hongkong & Shanghai
Banking Corporation Limited
Yes Bank Limited

The Vision

To become the most admired Indian pharmaceutical company with leadership in market share, research and profits by:

- Building distinctive sales & marketing capabilities
- Evolving from licensing to globally launching our patented products
- Inculcating a high performance culture
- Being the partner of choice for global pharmaceutical companies

Always adhering to our values, based on our obligations as the trustees of our customers, employees, shareholders and society

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Chairman's Letter



Dear Shareholders,

My warm greetings to all of you.

FY2010 marked yet another year of strong growth for domestic pharmaceutical industry. Led by increased investments by larger pharmaceutical companies in growing field force and launching new products the domestic pharmaceutical industry grew by a strong 17.7%. Our 4,103 strong field force, increased focus on new product launches, well-diversified portfolio covering 11 therapy areas and deeper penetration into tier-II/III cities helped us to again outperform the industry growth by a significant margin.

We concluded FY2010 with an excellent quarter where we improved one rank to be the 3rd largest pharmaceutical company in India with a market share of 4.4%. Our sales from the Healthcare Solutions for FY2010 stood at Rs. 20.0 billion, a year-on-year growth of 24.6%. We have outperformed the market in most therapy areas with performance being exceptionally strong in Anti-infective, Nutritionals, Anti-diabetic and OTC segment.

The OTC segment in India is still in nascent stages and presents us with high growth opportunities. During the year we took an important step in growing our OTC business. We acquired India's No.1 emergency contraceptive brand - I-pill from Cipla. I-pill is a strong brand with high brand recognition and has annual sales of about Rs. 309 million. I-pill will strengthen our OTC portfolio which consists of strong brands such as Lacto Calamine, Supractiv, Saridon and Polychrol.

FY2010 was a tough year for Pharmaceutical outsourcing industry. The global financial crisis, and consequent reduction of inventory across most large pharmaceutical companies, along with lack of funding to smaller R&D companies and biotech firms have collectively resulted into a slow down in the pharmaceutical outsourcing space. Our Pharma Solutions (Custom Manufacturing) business registered sales of Rs. 8.8 billion compared to Rs. 10.6 billion in FY2009.

During the tough business environment, we focused our efforts on gaining the knowledge and capabilities to build tomorrow's enterprise. We invested in building a robust business development team, in stronger and robust processes and systems and in getting USFDA/UKMHRA approvals for our facilities. This has resulted in increased confidence from our clients in our offerings. Pfizer, the world's largest pharmaceutical company, has renewed manufacturing contract with us at Morpeth facility for an indefinite period with increased volumes.

During the year, we have made significant progress in our Critical Care business. We have completed the integration of Minrad's business and have increased production and sales. Sales from this business have grown by 149.0% to Rs. 3.3 billion. We are preparing for Sevoflurane launch in the European markets which open newer frontier for growth of this business.

On a Consolidated basis, revenues for the year grew by 11.9% to Rs. 36.7 billion. Operating Profit (EBIDTA) grew by 25.9% to Rs. 7.4 billion, against Rs. 5.9 billion for FY2009. The Operating Profit margin was also higher at 20.2% compared to 17.9% for FY2009. Net profit grew by 52.4% to Rs. 4.8 billion against Rs. 3.2 billion in FY2009.

Overall, the year re-affirms our commitment of creating value for our shareholders by focusing on profitable growth. With the spirit, commitment and dedication of Piramal Healthcare's team, we are confident of realizing our growth potential. And our core values will propel us towards our vision of becoming the largest and most admired healthcare company in India. This will help our Company to deliver sustainable and profitable growth for many years to come.

With gratitude to our investors, employees, customers and all stakeholders, we look forward to your continued support in our endeavor.

Warm regards,

Ajay G. Piramal

Chairman

Date : 07th May 2010

Management Discussion & Analysis

FY2010: (consolidated) at a glance

Summary - consolidated:

■ Total Operating Income	:	Rs. 36.7 billion
■ EBIDTA	:	Rs. 7.4 billion
■ Net Profit	:	Rs. 4.8 billion
■ Gross margins (sales less material costs)	:	From 62.4% to 61.9% in FY2010
■ R&D spend	:	From 2.6% to 1.9% in FY2010
■ EBIDTA Margin	:	From 17.9% to 20.2% in FY2010
■ PAT	:	From 9.6% to 13.1% in FY2010

Revenue and Profits - consolidated:

■ Total Operating Income growth	:	11.9%
■ Healthcare Solutions sales growth	:	24.6%
■ Pharma Solutions sales growth	:	(16.6)%
■ Piramal Critical Care sales growth	:	149.0%
■ EBIDTA growth	:	25.9%
■ Net Profit growth	:	52.4%

Operations highlights - consolidated:

■ Healthcare Solutions:

- Market Share expanded from 4.0% in FY2009 to 4.2% in FY2010 (ORG IMS MAT March 2010).
- Field force of 4,103 people; 19 Marketing Divisions, 11 Specialist Divisions.
- 32 new products & line extensions launched, new products (launched during the last 24 months) form 7.6% of sales.
- Acquired "I-Pill" brand from Cipla.

■ Pharma Solutions:

- Renewed the remaining contract with Pfizer.
- 5 out of the top-10 companies visited Ahmedabad site and 4 have awarded contracts.
- Pithampur site audited by USFDA without any 483s, Morpeth site inspected by USFDA without any 483s.

■ Piramal Critical Care:

- Production increased at Bethlehem facility.
- Haemaccel supply started from Baddi.
- Reduced manufacturing cost significantly.

Financial highlights – consolidated

Particulars	Year		
	FY2010 Rs. Million	FY2009 Rs. Million	Growth %
Total Operating Income	36,710.5	32,811.0	11.9
EBIDTA	7,409.7	5,887.3	25.9
(%)	20.2	17.9	—
Interest (Net)	916.4	838.0	9.4
Depreciation	1,426.5	1,195.7	19.3
PBT before exceptional items	5,066.8	3,853.6	31.5
PAT	4,819.0	3,162.5	52.4
EPS Rs. (Basic)	23.1	15.1	52.4
EPS Rs. before exceptional items	23.4	17.3	35.2

Particulars	FY2010	FY2009
Debt / Equity ratio	0.77	1.02
ROCE %	21.2	19.0
RONW %	28.6	24.0
EVA (annualized) (Rs. million)	2,325.3	1,414.8
Net Sales / NFA ratio	1.7	1.6
Inventory (days*)	46	53
Receivables (days*)	44	53

Note: * Days have been worked on the basis of gross sales and also includes other operating income and exclude sales tax.

Review of the year ended 31 March 2010: (Consolidated)

The operating results discussion in the Management Discussion and Analysis refers to Consolidated Financial Statements, unless stated otherwise.

For the year ended 31 March 2010, Total Operating Income grew by 11.9 % to Rs. 36.7 billion compared with FY2009 total operating income of Rs. 32.8 billion.

Earnings Before Interest, Depreciation and Tax (EBIDTA) grew by 25.9% to Rs. 7.4 billion, against Rs. 5.9 billion for FY2009. The EBIDTA margin was also higher at 20.2% compared to 17.9% for FY2009.

Net Interest increased by 9.4% to Rs. 916.4 million, compared with Rs. 838.0 million in FY2009. Total Debt as on 31 March 2010 was Rs. 12.9 billion, compared to Rs. 13.4 billion for FY2009. Debt/Equity ratio was 0.77 in FY2010, compared to 1.02 in FY2009.

Depreciation for the year was Rs. 1.4 billion compared to Rs. 1.2 billion in FY2009. The higher depreciation is on account of full year impact of acquired assets of Minrad International Inc.

Income Tax for FY2010 was Rs. 180.3 million, compared with Rs. 219.4 million in FY2009.

Profit after Tax grew by 52.4% to Rs. 4.8 billion against Rs. 3.2 billion in FY2009.

Earnings Per Share for the year grew by 52.4% to Rs. 23.1 as compared to Rs. 15.1 in FY2009

Net Sales analysis (Consolidated):

PHL's Healthcare Solutions business grew by 24.6% to reach Rs. 20.0 billion. Sales from Pharma Solutions business were Rs. 8.8 billion as compared to Rs. 10.6 billion for FY2009. Due to consolidation of Minrad revenues, the Critical Care segment grew by 149.0% to Rs. 3.3 billion as compared to Rs. 1.3 billion in FY2009.

The break-up of aggregate Total Operating Income is as under:

Rs. million

No.	Total Operating Income break-up	% sales	Year ended		
			31-Mar-2010	31-Mar-2009	% Growth
1	Healthcare Solutions	54.5	20,002.3	16,048.9	24.6
2	Pharma Solutions	24.1	8,849.9	10,606.5	(16.6)
	From Assets in India	10.2	3,758.8	3,925.1	(4.2)
	From Assets outside India	13.9	5,091.1	6,681.3	(23.8)
3	Piramal Critical Care	8.9	3,276.7	1,316.0	149.0
4	Piramal Diagnostic Services Limited	5.6	2,064.3	1,689.6	22.2
5	Others	6.9	2,517.4	3,150.1	(20.1)
	Total	100	36,710.5	32,811.0	11.9

Healthcare Solutions (Domestic Branded Formulations)

Market commentary & Industry outlook:

The domestic pharmaceutical industry continued to witness strong growth momentum. Led by strong penetration into tier II/III cities, increased number of new product launches and increase in field-force strength, the market grew by a robust 17.7% (ORG IMS MAT March 2010). Indian Pharmaceutical market has become increasingly attractive for large multinational pharmaceutical companies as they aggressively pursue growth opportunities in the emerging markets.

Piramal Healthcare's consolidated formulations performance:

During the year, PHL's domestic branded formulations grew 24.6% in aggregate terms to Rs. 20.0 billion against Rs. 16.0 billion for FY2009. The performance led by high growth in OTC, Anti-infective, Nutritional, Anti-Diabetic and Respiratory.

Formulations sales analysis:
Therapy area analysis

Rs. Million

No.	Therapeutic area	Company financials year ended				ORG-IMS MAT–Mar. 10
		Sales Wt (%)	31-Mar-2010	31-Mar-2009	Growth (%)	Market Growth (%)
1.	Respiratory	17.4	3,481.1	2,833.2	22.9	21.0
2.	Anti-Infective	17.6	3,520.7	2,557.8	37.6	15.0
3.	CVS	11.8	2,364.7	2,055.9	15.0	19.9
4.	CNS	10.1	2,024.4	1,684.8	20.2	20.3
5.	Nutritionals	7.1	1,426.4	1,081.7	31.9	15.2
6.	Biotek	1.4	273.3	275.8	(0.9)	—
7.	Anti-Diabetic	6.5	1,295.3	1,021.2	26.8	24.0
8.	Gastro-intestinal	4.5	895.4	768.1	16.6	15.9
9.	Dermatology	3.6	728.9	587.9	24.0	18.7
10.	NSAIDs	4.3	869.7	736.3	18.1	17.3
11.	OTC	6.2	1,245.4	759.0	64.1	—
12.	Others	6.8	1,353.0	1,206.7	12.1	—
13.	Ophthalmology	2.6	524.1	480.3	9.1	16.7
	Total	100	20,002.3	16,048.9	24.6	17.7

Note :

Market data source: ORG-IMS, no similar market data available for Biotek segment.

Ranked No. 1 in new product launches:

During the year Piramal Healthcare grew by 24.6% against industry growth of 17.7%. During the year, Piramal Healthcare launched 32 new products and has been ranked no. 1 in the Indian Pharmaceutical Industry in terms of sales from new products. The revenues from new products launches have increased from 4.4% in FY2008 to 7.6% in FY2010. The Company has been ranked no. 3 in the Indian Pharmaceutical market for Q4FY2010 as per ORG-IMS.

Acquisition of I-pill brand:

During the year we acquired “I-pill” brand of Cipla for an aggregate consideration of Rs. 1,010.3 million. I-pill is an emergency contraceptive pill used to prevent unplanned pregnancy and is available over the counter at local chemists. The acquisition of I-pill strengthens Piramal’s over the counter (OTC) portfolio which has strong consumer brands such as Lacto Calamine skin care range, Supractiv Complete, Saridon and Polycrol antacid. As per ORG-IMS, I-pill features in the top-300 products in the Indian pharmaceutical industry.

Piramal Knowledge Academy:

Last year we launched ‘Piramal Knowledge Academy’ with the objective of sharing and spreading the latest scientific knowledge. Adhering to our core objective, during the year we have taken several initiatives to create a platform for Doctor engagement. It’s a virtual knowledge centre to serve as a 24 x 7 on-demand resource center for physicians accessible through the web, mobile, helpline. This also builds a peer to peer collaboration platform. Further, we have collaborated with leading institutions like BMJ, Joslin, John Hopkins, NUS which has enabled us to develop thought leadership programmes in strategic therapeutic areas.

Portfolio performance: Joint Ventures & Subsidiaries
Allergan India Limited (‘AIL’):

AIL is a 51:49 Joint Venture between Allergan Inc., USA and Piramal Healthcare Limited. Total Operating Income of AIL grew by 8.6% to Rs. 1.1 billion (FY2009 Total Operating Income: Rs. 1.0 billion). The PBIDT for FY2010 was up by 8.5% to Rs. 349.7 million as compared to Rs. 322.3 million in FY2009. Profit after tax for FY2010 was up by 15.9% to Rs. 220.6 million as compared to Rs. 190.3 million for FY2009.

Core Brand Analysis:

The sale from our top-10 brands was 26.4% of the Healthcare Solutions sales and that from our top-30 brands was 49.3%. The sales from Lifestyle segment (which include therapy areas of CVS, CNS, Anti-diabetic and Biotek) contributed to 29.5% of the total Healthcare Solutions.

Brands portfolio expansion:
New Products launch:

Piramal Healthcare launched a total of 32 new products (including extensions) during FY2010. Sales from new products launched during the past 24 months were Rs. 1.5 billion during the year.

DPCO:

Products under the Drug Price Control Order (DPCO) contributed 11.4% of Healthcare Solutions sales in FY2010 as compared to 13.0% in FY2009.

Field Force (standalone):

During the year, we have increased our field force from 3,984 people to 4,103 people. We are continuously investing in our fieldforce to achieve our objective of market penetration. Piramal Healthcare now has a total of 19 Divisions, out of which 11 focus on specific therapies.

No. of people

No.	Formulations Divisions	TA Focus	31 March 2010	31 March 2009
I.	Multi-specialty & Institutional			
1.	General Medicine	Respiratory/Pediatrics	487	504
2.	Multispecialty	General Medicine	253	266
3.	Acute Care	General Medicine	313	307
4.	Multi Therapy	General Medicine	359	355
5.	Pain Management	General Medicine/Pain Management	304	310
6.	Trade Management	Trade Management	190	193
7.	Nepal		25	21
8.	Corporate Hospitals	General Medicines	17	—
	SUB-TOTAL		1,948	1,956
II.	Dedicated			
9.	Cardiac	Cardiovascular	289	251
10.	Diabetes	Diabetology	337	307
11.	Biotek	Nephrology/Oncology	29	26
12.	Critical Cardiology	Cardiovascular	188	219
13.	Cardio – Diabeto	Cardio-Diabetes	230	219
14.	Consumer Products	OTC	234	200
15.	Neuro-Psychiatry	Neuro-Psychiatry	214	219
16.	Derma	Dermatology/Gynaecology	186	171
17.	Ortho	Orthopaedic	347	337
18.	Institutional Sales	Critical Care/Anaesthesiology	9	9
19.	CNS	CNS	92	70
	SUB-TOTAL		2,155	2,028
	TOTAL		4,103	3,984

Launch of new division catering to corporate hospitals:

The rapid growth of corporate hospitals has presented a new segment of growth for pharmaceutical companies. Hence we have launched a new division with 17 people catering to Corporate Hospitals. This team will build relationships with key stakeholders in 90 hospitals across 8 cities.

Pharma Solutions (Custom Manufacturing)
Market commentary:

The demand in the pharmaceutical outsourcing market continued to be soft. Due to reduction in inventory level across many large multinational pharmaceutical companies, the industry struggled to grow for most parts of FY2010. However, towards the end of the year, one could see a definite

recovery in the business environment. The inventory de-stocking phenomena is coming to an end. The underlying rationale for outsourcing is now more relevant now than ever before, hence over a medium term we see attractive growth opportunities in this business.

Piramal Healthcare's performance:

In March 2009, we closed down our manufacturing facility at Huddersfield, U.K. As a result, sales from the Pharma Solutions business de-grew by 16.6% to Rs. 8.8 billion, as compared to Rs. 10.6 billion in FY2009. The revenues from Indian assets were Rs. 3.8 billion compared to Rs. 3.9 billion in FY2009. We are seeing increased activity across all our sites in India.

Renewal of Pfizer contract at Morpeth site:

We have renewed the remaining set of manufacturing contracts with Pfizer that were due to expire in FY2010. The contract has been renewed indefinitely and Pfizer has expanded volumes from this site.

Scale-up of non-Pfizer revenues at Morpeth:

Over the last two years we have build a robust clinical trial packaging and formulation development business. This now contributes to around 15% of Morpeth revenues.

Commencement of revenues from our Early phase formulation development facility at Ahmedabad:

During FY2010, we have made progress at our Ahmedabad site. Of the top-10 Global Pharmaceutical companies, 5 have conducted audits, 4 have awarded projects and 2 are already sourcing clinical supplies from the site.

New contract signed from Grangemouth facility:

At Grangemouth, U.K. facility, we are working on 3 of the 4 most significant antibody-drug conjugate platforms and therefore working with the top 11 out of 19 large biotech companies. During FY2010, we have secured a new contract from one of the leading antibody-drug conjugates Company.

Audits Done/Awards Won:

- USFDA inspection at Morpeth with zero 483s, first time in site's 40 year history
- USFDA audit at Pithampur in April 2009 without any 483s
- UK-MHRA audit in January 2010 at Digwal
- UK-MHRA audit at Pithampur in April 2009 with no critical non-compliances
- Awarded Platinum award in Economic Times India Manufacturing Excellence Awards (IMEA) – 2009, survey conducted by Frost & Sullivan at Pithampur
- Golden award of in the Asia Manufacturing Excellence Award (AMEA) in 2009 at Digwal
- CII-National award for Energy efficient operations in 2009 at Digwal

Piramal Critical Care Business

During the year, we have completely integrated the operations of Minrad International Inc. and RxElite. As a result, sales from Piramal Critical Care grew by 149.0% to Rs. 3.3 billion against to Rs. 1.3 billion for FY2009. We have increased production capabilities at our Bethlehem facility significantly with improved operational efficiencies.

Increased market share in US for Sevoflurane:

We have increased market share for Sevoflurane in the US market from 4.7% to 17.8% in volume terms.

Scale up achieved in other markets for Sevoflurane:

During the year we made significant inroads in private market segments in Latin America, South East Asia & Africa for Sevoflurane. We successfully managed to improve price realisation in ROW markets. Further, we have completed dossier filings for 28 European Union countries for Sevoflurane and also have received the first Sevoflurane registration in MENA region.

Significant improvement in manufacturing:

During the year, we have more than doubled our production from Bethlehem facility in US. We have also changed some of the sourcing arrangements which have resulted in significant cost savings.

Commencement of Haemaccel supplies from Baddi:

Following our acquisition of blood plasma product – Haemmacel from PlasmaSelect AG, Germany, we have now started supply of Haemaccel from our Baddi facility.

Allied Businesses

Diagnostic Services business:

During the year we focused on consolidation of business which was built inorganically over the past several years. The focus for the year was on improving processes and systems. Total Operating Income of the business grew by 22.2% from Rs. 1.7 billion in FY2009 to Rs. 2.1 billion in FY2010. Operating Profit for the year was up by 21.9% to Rs. 377.4 million from Rs. 309.6 million in FY2009. Piramal diagnostic has 94 laboratories across 58 locations in India.

Human Resources

The Company continues to focus on core values of Knowledge, Action and Care for employee. The relationship with all employees in the Company continues to be core. In recent year we have started numerous initiatives, which will enhance our ability to attract & retain high caliber employees and enable us to evaluate our potential & talent pool:

Bandhan:

Last year we started Bandhan - our journey of Employee Engagement. During this period, our consistent effort to nurture a culture of engagement has gained momentum. Now, in the second year, with the 'Bandhan Survey,' we have seen a commendable participation and our engagement levels have moved up significantly.

PACE:

Piramal Group's value of "Care" includes its continuing commitment to the capability building of its employees for sustained superior performance and has resulted in a series of structured management development programmes. The PACE movement was a development initiative of the highest quality. It was designed and aligned to our Vision, strategy, philosophy and core values. The PACE programme was oriented towards the development needs of the junior level employees / young talent.

eXplore is PHL's web enabled e-Recruitment solution. It is equipped to map the entire recruiting process to a single, integrated solution in HR. It automates the business process by efficient resume management and ensures paperless workflow during the recruitment process. Since the launch of eXplore, we now have a strong database of more than 32,500 resumes.

eVolve is the e-Performance Management System for PHL. eVolve is not just goal setting. It's about gaining deep knowledge of our talent base so that our action, enables us to take care of our performing assets. eVolve has helped make our PMS more efficient and transparent. We have had our performance reviews for all corporate divisions and few locations during the year through eVolve and for the first time the performance will be evaluated leading to final rating through eVolve.

"Parichay" - the Employee's Information Portal. Parichay is an on-line application, which acts as a multipurpose utility for employees of Piramal Healthcare across all locations in India. All the HR processes like eRRS, COP, eXplore, eVolve, eL&A are now available under a one stop shop - Parichay. The application has been further enhance to include additional features on-line salary & audit slips.

Career Opportunity Program (C.O.P):

The Career Opportunity Program was conceptualized to provide a platform to give our employees opportunities to benefit cross-functional, inter & intra-location and inter-intra-business movements across PHL globally. Since the launch of C.O.P in July 2007, 83 employees have already moved across Businesses in Healthcare Solutions, Pharma Solutions, R&D and Corporate functions across various geographies. Through C.O.P, PHL has been able to retain good talent and provide new opportunities for employees within the organization itself.

During the period under review, total manpower decreased by 170 people to 7,987 from 8,157 in FY2009, while aggregate field force increased to 4,103 from 3,984.

No.	Function	31-March-2010	31-March-2009	+ / (-)
	Piramal Healthcare Limited			
a.	Field	4,103	3,984	119
b.	R&D	86	143	(57)
c.	Others	3,122	3,270	(148)
	Total PHL standalone manpower	7,311	7,397	(86)
	Piramal Healthcare UK Ltd.	400	485	(85)
	Piramal Healthcare Canada Ltd.	124	145	(21)
	Piramal Healthcare Inc.	152	130	22
	Total	7,987	8,157	(170)

Risks to Piramal Healthcare's Businesses:

Product risk:

Any product failure would create significant liability and adversely affect our company.

New Drug Price Control Policy:

The Government of India is considering implementation of a new drug policy, which would considerably expand purview of price-control over drugs. Price control will adversely affect the profitability of our company.

Client concentration risk and Revenue volatility in Pharma Solutions business:

Since our business model is based on contracts with customers any set back for the client company product will adversely affect our revenues and hence profits as well.

Foreign Exchange Risk:

We have significant revenues in foreign currency, particularly in U.S. Dollars. We also have operations outside India in countries like U.K., U.S. and Canada. Through these companies, we are exposed to risk arising out of foreign exchange rate changes.

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.

FINANCIAL HIGHLIGHTS (Consolidated)
Income Statement (Consolidated)

Rs. in Million

	FY2010	FY2009	% Growth
Total Income			
Total Operating Income			
– Gross	36,813.0	33,116.1	11.2
– Net	36,244.7	32,448.1	11.7
Other Operating Income	465.8	362.9	28.4
Total	36,710.5	32,811.0	11.9
EBITDA	7,409.7	5,887.3	25.9
EBITDA as a % of Total Operating Income	20.2%	17.9%	—
Interest (net)	916.4	838.0	9.4
Depreciation	1,426.5	1,195.7	19.3
Exceptional Items	69.1	446.1	—
Profit Before Tax	4,997.7	3,407.5	46.7
Tax			
– Current	910.8	451.7	—
– Mat Credit Entitlement	(572.8)	(320.4)	—
– Deferred	(157.7)	(171.2)	—
– Fringe Benefits	—	259.3	—
Total Tax	180.3	219.4	(17.8)
Profit After Minority Interest	4,819.0	3,162.5	52.4
Earnings Per Share (Rs.) (Face value Rs. 2/-)	23.1	15.1	52.4
Earnings Per Share before exceptional items (net of tax) (Rs.)	23.4	17.3	35.2

Net Sales

Consolidated Total Operating Income registered a growth of 11.9% over the previous year. Detailed analysis of Net Sales is given earlier in the report.

Earnings Before Interest, Depreciation and Tax (EBIDTA)

EBITDA for the year increased from Rs. 5.9 billion to Rs. 7.4 billion registering a growth of 25.9%. The margins as a percentage of total income were higher at 20.2% as compared to 17.9% for FY2009.

Net Interest

Net Interest was up by 9.4% from Rs. 838.0 million to Rs. 916.4 million in FY2010.

Depreciation

Depreciation for FY2010 was higher at Rs. 1.4 billion compared to Rs. 1.2 billion for FY2009. The full year depreciation impact of acquired assets of Minrad International Inc. resulted in increased depreciation.

Exceptional Items

Exceptional Items during the year include mainly additional restructuring expenses for Huddersfield facility and payments made under mutually agreed release program (VRS) for the company and its subsidiaries.

Taxation

Current tax rate was lower at 3.6% in FY2010 compared to 6.4% including Fringe Benefit Tax in FY2009 due to one time creation of deferred tax assets at the UK subsidiary.

Profit After Minority Interest

Profit After Minority Interest increased by 52.4% to Rs. 4.8 billion in FY2010 against Rs. 3.2 billion in FY2009.

Earning Per Share (EPS)

EPS for the year was higher at Rs. 23.1 against Rs. 15.1 for FY2009 registering growth of 52.4%.

Balance Sheet (Consolidated)

Rs. Million

Particulars	As at March 31, 2010	As at March 31, 2009
Liabilities		
Share Capital	418.0	418.0
Reserves & Surplus	16,430.9	12,752.7
Minority Interest	0.0	74.5
Loan Funds	12,949.6	13,390.8
Deferred Tax Liability (Net)	567.8	725.5
Total Liabilities	30,366.3	27,361.5
Assets		
Net Fixed Assets	21,130.1	20,390.9
Investments	325.5	278.3
Net Working Capital	8,910.7	6,692.3
Total Assets	30,366.3	27,361.5

Loan Funds

During the year, loan funds decreased by Rs. 441.2 million through internal cash flows.

Fixed Assets

During the year, PHL's gross fixed assets increased by Rs. 1.5 billion. The major items of capital expenditure were as under:

No.	Details	Rs. Million
1.	Healthcare Solutions – assets	166.7
2.	I-Pill brand acquisition from Cipla	1,010.3
3.	Pharma Solutions – assets	(354.6)
4.	Piramal Critical Care – assets	503.6
5.	Pathlabs	43.5
6.	Other fixed assets additions	108.3
	Total	1,477.8

Note – There is net reduction in Pharma Solutions assets as a result of the closure of our facility at Huddersfield in U.K.

Net Working Capital (Consolidated)

Rs. Million

Particulars	As at March 31, 2010	As at March 31, 2009
Raw/Packing Materials	1,499.3	1,879.2
No. of days	15	20
Finished Goods	1,707.1	1,447.5
No. of days	17	16
Receivables	4,529.5	4,866.3
No. of days	44	53
Net Working Capital	8,910.7	6,692.3
No. of days	87	73

Notes:

1. All the above ratios have been calculated on the basis of Gross Sales (i.e. net sales + excise duty) and it also includes other operating income, but it excludes sales tax. The previous year's numbers have been restated accordingly.
2. The Raw/Packing materials days have come down from 20 in FY2009 to 15 in FY2010 due to lower sales in our Pharma Solutions business which has higher Raw/Packing Material requirements.

Return on Capital Employed (ROCE) (Consolidated)

Rs. Million

Particulars	As at March 31, 2010	As at March 31, 2009
Net Fixed Assets*	20,760.5	16,488.2
Net Current Assets*	7,154.9	5,433.3
Capital Employed* (excluding investments)	27,915.4	21,921.5
PBIT (Excluding Dividend and Profit / Loss on sale of assets)	5,926.3	4,175.9
ROCE (%)	21.2	19.0

*Average

Return on Capital Employed increased to 21.2% from 19.0% in the last year.

Economic Value Added (EVA) (Consolidated)

Rs. Million

Particulars	As at March 31, 2010	As at March 31, 2009
PAT for the Year	4,819.0	3,162.5
Add : Exceptional Items (net of tax)	66.6	451.3
Add : Interest (net of tax)	883.3	847.8
Total (1)	5,768.9	4,461.6
Capital Employed (2)	28,217.3	22,386.9
Gearing %	43	50
Average Rate of Interest	7.0%	8.2%
Cost of Debt (post tax)	6.7%	8.2%
Cost of Equity		
Long Term Govt. Bonds (Source: Bloomberg)	7.7%	7.0%
Market Risk	15.0%	15.0%
Beta Variant (Source: Bloomberg)	0.6	0.8
Cost of Equity	16.4%	19.1%
WACC (3)	12.2%	13.6%
Cost of Capital (2x3=4)	3,443.7	3,046.9
EVA (1-4)	2,325.3	1,414.8

EVA increased to Rs. 2.3 billion in FY2010 from Rs. 1.4 billion in FY2009.

Corporate Governance

A report for the financial year ended 31st March, 2010 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 shareholder value and enhances interests of other 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 shareholder value.

2. Board of Directors

The Company's Board as of date consists of ten (10) members, of which majority are independent directors, who are leading professionals in their respective fields. The Board comprises four (4) executive directors and six (6) independent directors.

The constitution of the Board is given below:

Name of Director	Category* [Designation]	Other Directorships ^①		Membership of other Board Committees ^②	
		as Member	as Chairman	as Member	as Chairman
Ajay G. Piramal	ED-Promoter [Chairman]	1	6	3	1
Keki Dadiseth	ID	6	—	3	4
Y. H. Malegam	ID	7	—	1	4
Dr. Swati A. Piramal	ED – Promoter Group	8	1	2	1
Nandini Piramal	ED-Promoter Group	4	2	—	—
S. Ramadorai	ID	6	6	9	5
R. A. Shah	ID	10 ^③	4	7	4
Deepak Satwalekar	ID	7	—	3	2
N. Santhanam	ED- [Executive Director & Chief Operating Officer]	3	—	1	—
N. Vaghul	ID	3	1	3	2

Note :

* ED – Executive Director; ID– Independent Director;

① This includes directorships in public limited companies and subsidiaries of public limited companies and excludes directorships in private limited companies, overseas companies and companies under section 25 of the Companies Act, 1956.

② This relates to Committees referred to in clause 49 of the Listing Agreement, viz. Audit Committee and Investors Grievance Committee. This also includes Remuneration Committee which is not considered for the purpose of computing maximum limits under clause 49.

③ Excludes alternate directorships.

3. Attendance of Directors at Board Meetings and Annual General Meeting

The Board of Directors met seven (7) times during the financial year, on the following dates:

1st April, 2009	24th April, 2009	18th June, 2009	22nd July, 2009
22nd October, 2009	3rd December, 2009	21st January, 2010	

The Company placed before the Board the budgets, annual operating plans, performance of the business and various other information, including those specified under Annexure 1A of Clause 49 of the Listing Agreement, from time to time.

The attendance of Directors at the Board Meetings and the last Annual General Meeting held on 18th June, 2009 were as under:

Name of Director	Board Meetings		AGM
	Held during the year	Attended	
Ajay G. Piramal	7	7	√
Keki Dadiseth	7	7	√
Y. H. Malegam	7	7	√
Dr. Swati A. Piramal	7	7	√
Nandini Piramal	7	7	√
S. Ramadorai	7	4	—
R. A. Shah	7	7	√
Deepak Satwalekar	7	7	√
N. Santhanam	7	7	√
N. Vaghul	7	7	√

Mr. Ramadorai could not attend some of the meetings as he was out of India during that time.

4. Code of Conduct

The Company has formulated and implemented Codes of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company. A declaration signed to this effect by Mr. N. Santhanam, Executive Director and Chief Operating Officer, is appended at the end of this Report. The Codes of Conduct are posted on the company's website.

5. Audit & Risk Committee

During the financial year 2009-10, seven (7) meetings of the Audit & Risk Committee were held on the following dates, including before finalisation of annual accounts and adoption of quarterly financial results by the Board:

1st April, 2009	22nd April, 2009	22nd July, 2009
22nd September, 2009	14th October, 2009	20th January, 2010
4th March, 2010		

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Designation	Category	Profession	Committee Meetings	
				Held during the year	Attended
R. A. Shah	Chairman	Independent Director	Solicitor	7	7
Y. H. Malegam	Member	Independent Director	Chartered Accountant	7	7
N. Vaghul	Member	Independent Director	Retired Business Executive	7	7

The Company Secretary, Mr. Leonard D'Souza is the secretary to the Committee.

The terms of reference of the Audit & Risk Committee are:

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company (including consolidated financial statements), internal control systems, scope of audit and observations of the Auditors / Internal Auditors;
- To review the adequacy of and compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company (stand-alone and/or consolidated) before submission to the Board;
- To review the accounts and financial statements of the subsidiary companies, in particular the investments made by subsidiary companies;

- e) To make recommendations to the Board on any matter relating to the financial management of the Company and its subsidiaries, including the Reports of the Statutory and Internal Auditors;
- f) To investigate into any matter in relation to items specified in section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose, to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary;
- g) To review the adequacy of the Company's Risk Policies, including Operational, Financial and Business Risk Policies;
- h) To consider the appropriateness and adequacy of internal processes and controls for addressing and facilitating monitoring of key risk areas identified by the Company's Risk Policies;
- i) To review the Company's compliance with applicable statutory and regulatory requirements and adequacy of the monitoring and reporting system for the same;
- j) To review reports regarding material litigation, legal claims or contingencies relating to the Company and advise the Board on any legal risks that could have a material effect on the financial position or operating results of the Company;
- k) To review reports concerning material actual and suspected breaches of law, including fraud and theft, and assess systems to manage this risk;
- l) To review the Company's policy for insurance;
- m) To review the Company's Financial Risk Management Policy with particular reference to (i) Forex Risks and (ii) Liquidity Risks;
- n) Material covenants / obligations accepted by the Company with regard to financial assistance availed by it or guarantees / security provided by it;
- o) To review Trade Credit Policy;
- p) To review, monitor and oversee the Company's Whistle Blower Policy and give such directions in this regard as it considers necessary;
- q) Undertake such other functions as may be entrusted to it by the Board from time to time;

6. Nomination and Remuneration Committee

The Nomination and Remuneration Committee reviews and makes recommendations on annual salaries, performance linked incentive, stock options, perquisites and other employment conditions for Executive Directors. The Committee also recommends induction of Directors/ Executive Directors on the Board. The Committee takes into consideration remuneration practices followed by leading companies while determining the overall remuneration package. The annual variable commission in the form of 'Performance Linked Incentive' to Executive Directors as also Stock Options to be granted to non-promoter Executive Directors, are linked to the performance of the Company in general and the individual performance of the Executive Directors for the relevant year measured against specific Key Result Areas, which are aligned to the Company's objectives.

Non-executive Directors are paid remuneration by way of Commission and Sitting Fees. The payment of Commission is decided broadly on the basis of their respective contribution to the Company and the overall performance of the Company.

The Committee met three (3) times during the year, on 1st April, 2009, 22nd April, 2009 and 22nd July, 2009.

The members of the Committee are:

Name	Designation	Category	No. of Meetings	
			Held during their tenure	Attended
N. Vaghul	Chairman	Independent Director	3	3
R. A. Shah (upto 22nd July, 2009)	Member	Independent Director	3	3
S. Ramadorai	Member	Independent Director	3	3
Ajay G. Piramal	Member	Executive Director	3	3
Keki Dadiseth (appointed on 22nd July, 2009)	Member	Independent Director	—	—

7. Remuneration of Directors

Details of remuneration to the directors for the year ended 31st March, 2010 are as follows:

Director	Relationship with other directors	Business relationship with the Company	Sitting fees*	Salary & Perquisites	Performance Linked Incentive/ Commission	Total
Ajay G. Piramal	Husband of Dr. Swati A. Piramal	Promoter	—	3,86,77,159	3,00,00,000	6,86,77,159
Keki Dadiseth	None	None	1,80,000	—	13,50,000	15,30,000
Y. H. Malegam	None	None	2,80,000	—	13,50,000	16,30,000
Dr. Swati A. Piramal	Wife of Mr. Ajay G. Piramal	Director Promoter Group	—	1,80,96,100	1,50,00,000	3,30,96,100
Nandini Piramal	Daughter of Mr. Ajay G. Piramal & Dr. Swati A. Piramal	Executive Director Promoter Group	—	96,23,596	40,00,000	1,36,23,596
S. Ramadorai	None	None	1,40,000	—	13,50,000	14,90,000
R. A. Shah	None	Sr. Partner, Crawford Bayley & Co., the Company's Solicitors	3,60,000	—	13,50,000	17,10,000
Deepak Satwalekar	None	None	2,80,000	—	13,50,000	16,30,000
N. Santhanam	None	Executive Director and Chief Operating Officer	—	1,53,17,767	60,00,000	2,13,17,767
N. Vaghul	None	None	3,80,000	—	13,50,000	17,30,000

* includes sitting fees paid for Committee Meetings.

Notes:

(a) The terms of appointment of the Executive Directors referred to in the above table as approved by shareholders, are contained in the Agreements executed with them by the Company, as follows:

- Mr. Ajay G. Piramal : Agreement dated 23rd March, 2007.
- Dr. (Mrs.) Swati A. Piramal : Agreement dated 28th December, 2007.
- Mr. N. Santhanam : Agreement dated 17th December, 2007.
- Ms. Nandini Piramal : Agreement dated 19th June, 2009.

(b) No loans and advances have been given to any Director of the Company.

(c) As per prevailing policy, Stock Options are granted only to non-promoter executive directors. Accordingly, during the year ended 31st March 2010, 70,000 Stock Options were granted to Mr. N. Santhanam, Executive Director & Chief Operating Officer.

Out of the Options so granted, depending on his performance, achievement of key result areas and other criteria, the Nomination and Remuneration Committee would determine the actual number of stock options that would vest in his favour. Out of the total Options so vested, he would be eligible to exercise 25% immediately, 25% after 1 year and the balance 50% after 2 years. The exercise period is 5 years from the date of eligibility, failing which the Options would lapse.

It may be noted in this regard that since the PHL ESOP Scheme is implemented through the ESOP Trust and the shares given by the ESOP Trust against exercise of stock options are those that have been acquired by the ESOP Trust from the secondary market and no new shares are issued by the Company, there will not be any increase in the share capital of the Company, nor will there be any impact on the Earnings Per Share or other ratios relating to share capital, as a result of exercise of the Stock Options.

(d) Shareholding of Non-executive Directors

The individual shareholdings of Non-executive Directors (including shareholding as joint holder) as on 31st March, 2010 are given below:

Name	No. of shares held
Mr. R. A. Shah	3,43,393
Mr. Y. H. Malegam	3,850

8. Investors Grievance Committee

The Investors Grievance Committee met four (4) times during the year, on 24th April, 2009, 22nd July, 2009, 22nd October, 2009 and 21st January, 2010. Following are the members of this Committee. The members attended all the four meetings.

Name	Designation	Category
Deepak Satwalekar	Chairman	Independent Director
N. Santhanam	Member	Executive Director

Mr. Leonard D'Souza, the Company Secretary, is the Compliance Officer.

Investor Grievances

The following table shows the nature of complaints received from shareholders during 2009-10 and 2008-09. There were 12 complaints pending as on 31st March 2010 which have since been resolved.

Nature of Complaints	2009-10	2008-09
Dividend	19	8
Non-receipt of Share Certificates	6	7
Rights Issue	0	4
Others	11	5
Total	36	24

The complaints are generally replied to within 7 days from their lodgment with the Company.

The Company has designated the email id 'complianceofficer.phl@piramal.com' exclusively for the purpose of registering complaints by investors electronically. This email id has been displayed on the Company's website 'www.piramalhealthcare.com'.

9. Governance & Ethics Committee

During the year the Company has constituted a Governance & Ethics Committee. The members of this Committee are Mr. Keki Dadiseth (Chairman of the Committee), Mr. R. A. Shah and Mr. Deepak Satwalekar.

The Committee met once during the year, on 21st January, 2010. All the members attended the meeting.

The terms of reference of the Governance & Ethics Committee are:

- (a) To consider, review and decide on matters relating to Corporate Governance as per the Listing Agreement entered into with the Stock Exchange(s) and other applicable Laws & Regulations;
- (b) To recommend to the Board best practices in the areas of Board Governance, Corporate Governance, Ethics & Disclosure Policies concerning the interest of the stakeholders and in this regard, to formulate, recommend to the Board and monitor appropriate policies and guidelines for the Company, including the following:
 - (i) Guidelines on Corporate Disclosure Practices;
 - (ii) Code of Business Conduct & Ethics.
- (c) To periodically review the compliance with the Code of Conduct for Prevention of Insider Trading of the Company;
- (d) To carry out such additional functions as may be provided under applicable statutory / regulatory requirements and/or as may be entrusted to it by the Board from time to time.

10. General Body Meetings

The location and time of the Annual General Meetings held during the last 3 years are as follows:

Annual General Meeting (AGM)	Date	Time	Venue	No. of Special Resolutions Passed
60th AGM	14th June, 2007	3.00 p.m.	Walchand Hirachand Hall, Indian Merchants' Chamber Building, IMC Marg, Churchgate, Mumbai 400 020	—
61st AGM	26th June, 2008	3.00 p.m.	Yashwantrao Chavan Pratisthan, Opposite Mantralaya, Mumbai 400 021	—
62nd AGM	18th June, 2009	3.00 p.m.	Walchand Hirachand Hall, Indian Merchants' Chamber Building, IMC Marg, Churchgate, Mumbai 400 020	2

The special resolutions were passed on show of hands.

Postal Ballot

At present, there is no proposal to pass any special resolution through postal ballot.

11. Note on Directors appointment/re-appointment

Mr. R. A. Shah and Mr. N. Vaghul are retiring by rotation at the ensuing AGM and are proposed for re-appointment.

Mr. N. Santhanam has been re-appointed as 'Executive Director & Chief Operating Officer' of the Company for a further period of 3 years with effect from 25th October, 2010.

Brief details concerning these Directors are given below:

Mr. R. A. Shah

Mr. R. A. Shah, 78 years, is an eminent Solicitor and Senior Partner of Messrs Crawford Bayley & Co. He specializes in a broad spectrum of Corporate Laws in general, with special focus on foreign investments, joint ventures, technology and licence agreements, intellectual property rights, mergers and acquisitions, industrial licensing, anti-trust and competition laws. He is on the Board of several reputed companies.

Mr. R. A. Shah is a member of the Managing Committee of the Bombay Chamber of Commerce & Industry, Indo-German Chamber of Commerce and President of the Society of Indian Law Firms (Western Region).

His other directorships in public limited companies and subsidiaries of public limited companies in India are:

Sr. No.	Name of the Company	<ul style="list-style-type: none"> • Directorships • Membership of Board Committees referred to in clause 49 of the Listing Agreement
1.	Godfrey Philips India Limited	<ul style="list-style-type: none"> • Chairman
2.	Clariant Chemicals (India) Limited	<ul style="list-style-type: none"> • Chairman • Chairman – Audit Committee
3.	Pfizer Limited	<ul style="list-style-type: none"> • Chairman • Chairman – Audit Committee
4.	Procter & Gamble Hygiene and Healthcare Limited	<ul style="list-style-type: none"> • Chairman • Chairman – Audit Committee
5.	Colgate-Palmolive India Limited	<ul style="list-style-type: none"> • Vice Chairman • Chairman – Audit Committee
6.	Abbott India Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee
7.	Asian Paints (India) Limited	<ul style="list-style-type: none"> • Director
8.	ACC Limited	<ul style="list-style-type: none"> • Director
9.	The Bombay Dyeing & Mfg. Co. Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee • Member – Remuneration Committee

Sr. No.	Name of the Company	<ul style="list-style-type: none"> • Directorships • Membership of Board Committees referred to in clause 49 of the Listing Agreement
10.	BASF India Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee
11.	Deepak Fertilizers & Petrochemicals Corporation Limited	<ul style="list-style-type: none"> • Director
12.	Lupin Limited	<ul style="list-style-type: none"> • Director • Member – Remuneration Committee
13.	Wockhardt Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee
14.	Century Enka Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee
15.	Atul Limited	<ul style="list-style-type: none"> • Alternate Director
16.	BASF Polyurethanes India Limited	<ul style="list-style-type: none"> • Alternate Director
17.	Modicare Limited	<ul style="list-style-type: none"> • Alternate Director
18.	RPG Life Sciences Limited	<ul style="list-style-type: none"> • Alternate Director
19.	Scharder Duncan Limited	<ul style="list-style-type: none"> • Alternate Director
20.	Uhde India Limited	<ul style="list-style-type: none"> • Alternate Director

Mr. N. Vaghul

Mr. N. Vaghul, 74 years, is the ex-Chairman of ICICI Bank Limited. He was also the Chairman of ICICI Limited from September 1985 until it merged with ICICI Bank Limited in 2001. He also served as Chief Executive Officer of ICICI until 1996. Mr. Vaghul has been a visiting professor at the Leonard N. Stern School of Business at New York University since 1998. Mr. N.Vaghul holds a Bachelor of Commerce degree in Banking from Madras University.

His other directorships in public limited companies and subsidiaries of public limited companies in India are:

Sr. No.	Name of the Company	<ul style="list-style-type: none"> • Directorships • Membership of Board Committees referred to in clause 49 of the Listing Agreement
1.	Mahindra & Mahindra Limited	<ul style="list-style-type: none"> • Director • Chairman – Compensation Committee
2.	Mahindra World City Developers Limited	<ul style="list-style-type: none"> • Chairman • Member – Remuneration Committee
3.	Wipro Limited	<ul style="list-style-type: none"> • Director • Chairman – Audit Committee • Member – Board Governance and Compensation Committee
4.	Apollo Hospitals Enterprise Limited	<ul style="list-style-type: none"> • Director • Member – Remuneration Committee

Mr. N. Santhanam

Mr. N. Santhanam, 61 years, is the Executive Director and Chief Operating Officer of the Company. He is a Chartered Accountant by profession and has more than 38 years of rich and varied experience in Corporate Accounts, Finance, Treasury, Taxation, Secretarial and Legal, M&A and general business management.

Mr. Santhanam was with the Tata & Wadia Group for nearly 30 years and in 2001 he joined Piramal Healthcare Limited as its Chief Financial Officer. Taking into consideration his performance and leadership skills, the Board of Directors had appointed him as Executive Director and Chief Financial Officer for a period of 3 years with effect from 25th October 2007. During this tenure, Mr. Santhanam was entrusted with new responsibilities of the Healthcare Solutions, Critical Care, Vitamins & Fine Chemicals, Diagnostic Equipment & Services and the Pharma Solutions businesses. Consequent to his enlarged scope of responsibilities, the Board had re-designated him as Chief Operating Officer to reflect his new responsibilities.

Since the said period of 3 years was to expire on 24th October, 2010, the Board of Directors of the Company, at its meeting held on 7th May, 2010, taking into consideration his excellent performance, leadership skills and deep knowledge of the various businesses of the Company, decided to continue the appointment of Mr. N. Santhanam as 'Executive Director & Chief Operating Officer', not liable to retire by rotation, for a further period of 3 years, with effect from 25th October, 2010, subject to requisite shareholders approval, which is being sought at the Annual General Meeting to be held on 9th July 2010.

Mr. Santhanam's other directorships in public limited companies and subsidiaries of public limited companies in India are:

Sr. No.	Name of the Company	<ul style="list-style-type: none"> • Directorships • Membership of Board Committees referred to in clause 49 of the Listing Agreement
1.	Piramal Life Sciences Limited	<ul style="list-style-type: none"> • Director • Member – Audit Committee
2.	Piramal Enterprises Limited	<ul style="list-style-type: none"> • Director
3.	Piramal Water Private Limited	<ul style="list-style-type: none"> • Director

12. Disclosures

- No transaction of material nature has been entered into by the Company with its Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company;
- The Register of Contracts/statement of related party transactions, is placed before the Board/Audit & Risk Committee regularly;
- Transactions with related parties are disclosed in Note No. 10 of Schedule 21 to the Accounts in the Annual Report;
- There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges or any other statutory authority does not arise;
- The Company has implemented a Whistle Blower Policy for its Baddi Manufacturing Facility and its Carrying & Forwarding Agents (CFA) locations. A suitable system is in place for administering the Whistle Blower Policy, which is accessible to all personnel for submitting complaints, if any, which are in turn placed before the Audit & Risk Committee for their review and directions.
- Listing fees for the financial year 2010-11 have been paid to the Stock Exchanges on which the shares of the Company are listed.

Compliance with Mandatory / Non-mandatory Requirements

- The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreement.
- The Company has also adopted the non-mandatory requirements as specified in Annexure 1D to Clause 49 of the Listing Agreement regarding constitution of remuneration committee, unqualified financial statements, training of Board Members, establishment of mechanism for evaluating non-executive directors and Whistle Blower Policy.

13. Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.piramalhealthcare.com. These are also submitted to the Stock Exchanges and published in newspapers in accordance with the Listing Agreement. The Company also holds analyst meets / conference calls where presentations / details are provided on financial results as well as major events. The presentations are simultaneously posted on the Company's website for dissemination to investors.
- Management Discussion & Analysis forms part of this Annual Report.

14. General Information for Shareholders

a) Annual General Meeting

- Date and Time : Friday, 9th July, 2010 at 3.00 p.m.
- Venue : Yashwantrao Chavan Pratisthan,
Gen. Jagannath Bhosale Marg,
Next to Sachivalaya Gymkhana, Mumbai 400 021

b) Financial Calendar

- Financial reporting for
- Quarter ending 30th June, 2010 : By 14th August, 2010
- Half year ending 30th September, 2010 : By 14th November, 2010
- Quarter ending 31st December, 2010 : By 14th February, 2011
- Year ending 31st March, 2011 : By 30th May, 2011
- Annual General Meeting for the year ending 31st March, 2011 : June/July, 2011

c) Dates of book closure : 1st July, 2010 to 9th July, 2010

d) Dividend Payment Date : Within 5 days from date of declaration of dividend.

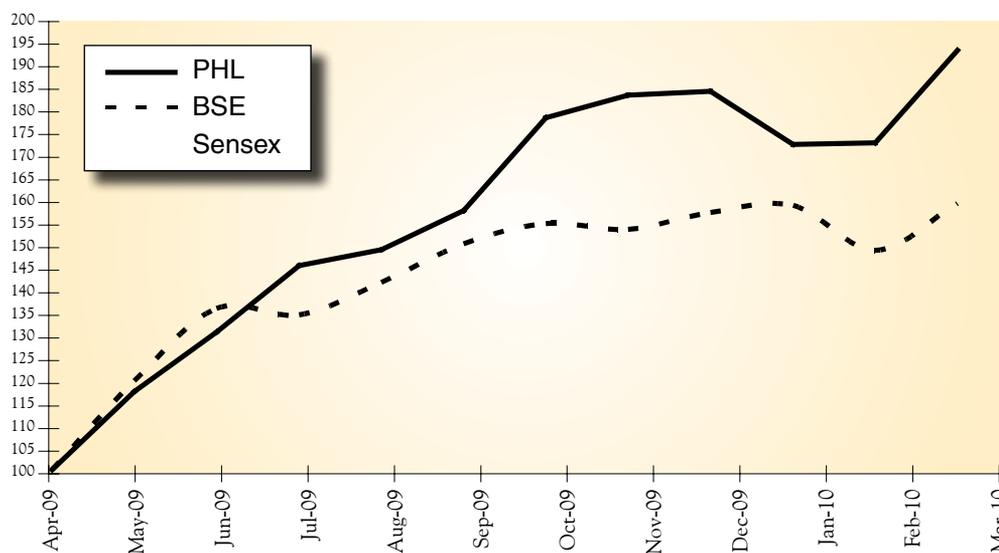
- e) Registered Office : Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013.
- f) Listing of Equity Shares on Stock Exchanges : Bombay Stock Exchange Limited
(code : 500302);
National Stock Exchange of India Limited
(code : PIRHEALTH);
- g) Reuters code : PIRA.BO
- h) Bloomberg code : PIHC:IN
- i) Stock market data

Month	Bombay Stock Exchange				National Stock Exchange			
	High (Rs.)	Low (Rs.)	Average Closing Prices (Rs.)	Monthly volume	High (Rs.)	Low (Rs.)	Average Closing Prices (Rs.)	Monthly volume
Apr-2009	241.75	184.65	217.92	30,77,054	248.90	178.00	218.04	47,20,069
May-2009	279.00	235.00	255.40	8,03,669	280.00	233.50	255.68	39,71,705
June-2009	322.90	253.00	283.95	27,53,570	329.80	252.00	284.32	68,37,183
July-2009	342.00	300.05	315.84	10,75,826	348.00	291.65	315.62	64,39,883
Aug-2009	340.00	300.00	323.45	7,56,321	341.80	305.75	323.49	38,80,277
Sept-2009	393.90	316.00	342.33	9,41,016	399.50	316.00	342.79	37,42,700
Oct-2009	422.90	356.00	386.87	19,74,242	422.70	356.00	386.63	57,15,082
Nov-2009	422.20	364.15	397.72	8,06,000	422.00	376.00	398.33	36,77,717
Dec-2008	428.05	370.50	399.45	20,39,192	430.00	370.00	399.84	77,00,776
Jan-2010	397.00	331.00	374.11	28,58,761	410.00	328.10	374.33	87,87,545
Feb-2010	399.95	354.00	374.86	10,42,310	400.00	350.10	374.92	47,09,326
Mar-2010	441.00	392.65	419.15	14,94,075	439.95	400.00	419.40	69,48,753

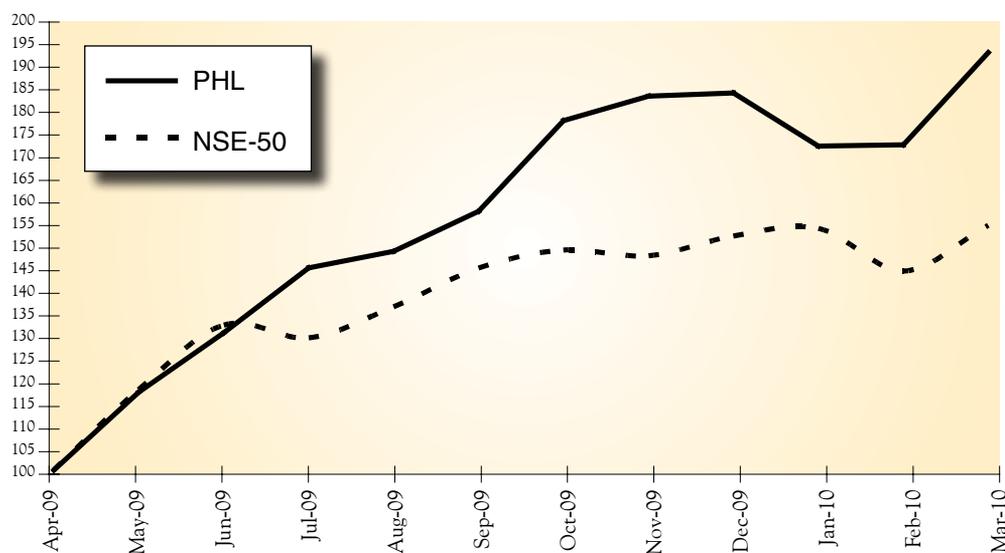
j) Stock Performance vs BSE Sensex and NSE-50

Performance of the Company's Equity Shares on Bombay Stock Exchange and National Stock Exchange of India Limited relative to the BSE Sensitive Index (BSE Sensex) and S&P CNX Nifty (NSE-50) respectively are graphically represented in the charts below.

Average monthly closing prices of the Company's shares on BSE as compared to BSE Sensex



Average monthly closing prices of the Company's shares on NSE as compared to NSE-50



k) Share Transfer Agents

M/s Link Intime India Pvt. Ltd. ('Link Intime') have been appointed as the new Share Transfer Agents of the Company w.e.f. 1st February, 2010 in place of Freedom Registry Limited (formerly known as Amtrac Management Services Limited). Necessary intimation in this regard was individually mailed to all the shareholders, in addition to public announcements in the newspapers. The contact details of Link Intime are given below:

Link Intime India Pvt. Ltd.

C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai – 400 078
Tel.: (022) 25946970
Fax: (022) 25946969
e-Mail: piramal.irc@linkintime.co.in

203, Davar House,
197/199 D.N Road,
Mumbai – 400 001

l) Share Transfer System (in physical segment)

To expedite the share transfer process in the physical segment, authority has been delegated to the Share Transfer Committee, which comprises:

Mr. Ajay G. Piramal	Chairman
Mr. R. A. Shah	Member
Mr. N. Santhanam	Member

For administrative convenience and to facilitate speedy approvals, authority has also been delegated to the Share Transfer Agents and also to senior executives to approve share transfers upto specified limits. Share transfers / transmissions approved by the Committee and/or the authorised executives are placed at the Board Meeting from time to time.

In case of shares held in physical form, all transfers are completed within 12 days from the date of receipt of complete documents. As at 31st March, 2010 there were no Equity Shares pending for transfer. Also, there were no demat requests pending as on 31st March, 2010.

m) Distribution of Shareholding as on 31st March 2010

Slab of shareholdings	No. of Shareholders	%	No. of Shares	%
1 to 100	38972	52.02	14,85,556	0.71
101 to 200	9113	12.16	13,02,832	0.62
201 to 500	17122	22.85	53,99,147	2.58
501 to 1000	6222	8.30	45,65,132	2.18
1001 to 5000	3007	4.01	53,09,917	2.54
5001 to 10000	167	0.22	11,15,154	0.53
10001 to 20000	105	0.14	14,66,127	0.70
20001 to 30000	33	0.04	8,15,121	0.39
30001 to 40000	17	0.02	5,84,344	0.28
40001 to 50000	13	0.02	5,98,745	0.29
50001 to 100000	37	0.05	26,29,931	1.26
Above 100000	115	0.15	18,37,41,138	87.91
Total	74923	100.00	20,90,13,144	100.00

According to categories of Equity Shareholders as on 31st March, 2010

Sr. No.	Category of Shareholder	Number of Shareholders	Number of shares	%
(A)	Shareholding of Promoter and Promoter Group	21	10,29,25,182	49.24
(B)	Public shareholding			
	1. Institutions			
	(a) Mutual Funds / UTI	69	68,50,748	3.28
	(b) Financial Institutions / Banks	19	16,574	0.01
	(c) Insurance Companies	10	1,14,37,370	5.47
	(d) Foreign Institutional Investors	142	5,44,76,559	26.06
	2 Non-Institutions			
	(a) Bodies Corporate	875	1,18,13,239	5.65
	(b) Individuals			
	(i) holding nominal share capital up to Rs. 1 lakh	72,677	1,96,69,055	9.41
	(ii) holding nominal share capital in excess of Rs. 1 lakh	14	13,67,444	0.65
	(c) Others			
	(i) Foreign Nationals	1	786	0.00
	(ii) Clearing Member	206	1,22,543	0.06
	(iii) Trust	4	6,368	0.01
	(iv) Non Resident Indians - Repatriable	634	1,56,949	0.08
	(v) Non Resident Indians - Non Repatriable	251	1,70,327	0.08
	Total Public Shareholding	74902	10,60,87,962	50.76
	TOTAL	74923	20,90,13,144	100.00

n) Dematerialisation of shares

As on 31st March 2010, 19,75,14,644 equity shares (94.50 % of the total number of shares) are in dematerialised form as compared to 19,72,91,432 equity shares (94.39 % of the total number of shares) as on 31st March, 2009.

o) Outstanding GDRs/ADRs/Warrants or any convertible instruments

There are no outstanding convertible warrants/instruments.

p) **Plant Locations of PHL & its Subsidiaries**

India

- Plot No. 67-70, Sector II, Pithampur, Dist. Dhar-454 775, M.P.
- Plot No.K-1, Additional M.I.D.C, Mahad, Dist. Raigad-402302, Maharashtra
- VFCD Division, Balkum, Old Mumbai Agra Road, Thane-400 608, Maharashtra
- Ennore Express Highway, Enravur Village, Chennai-600 057, Tamil Nadu
- Digwal Village, Medak District, Andhra Pradesh-502 321
- Village Bhatauli Khurd, Sai Road, Baddi, Dist. Solan, Himachal Pradesh
- C-301/1 T.T.C. Industrial Area, Pawne, Navi Mumbai-400705 Maharashtra
- Plot No.19 - Pharmez, Sarkhej Bavla, Sanand, NH 8A, Village Matoda, Taluka Sanand, Ahmedabad-382 213

Overseas

Piramal Healthcare UK Limited

- Morpeth, Northumberland, UK
- Grangemouth, Stirlingshire, UK

Piramal Healthcare (Canada) Limited

- Aurora, Ontario, Canada

Piramal Critical Care Inc. (formerly Minrad Inc.)

- Bethlehem, PA 18017, Pennsylvania State, USA

Investors Correspondence

Leonard D'Souza

Company Secretary

Piramal Healthcare Limited

Piramal Tower Annexe, Ganpatrao Kadam Marg,

Lower Parel, Mumbai 400013, India

Tel: 91-22-30466666 • Fax: 91-22-24902363

Email: complianceofficer.phl@piramal.com

Certification under Clause 49 (I) (D) of the Listing Agreement

All the Board Members and Senior Management personnel have affirmed compliance with the Codes of Conduct for Piramal Healthcare Limited for the financial year ended 31st March, 2010.

For Piramal Healthcare Limited

Mumbai

7th May, 2010

N. Santhanam

Executive Director and Chief Operating Officer

Certificate on Corporate Governance

The Members of

Piramal Healthcare Limited

We have examined the compliance of conditions of Corporate Governance by Piramal Healthcare Limited for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances during the year ended March 31, 2010, 12 investor grievances were pending against the Company as on March 31, 2010, which have since been resolved, as per the records maintained by the Company.

For N. L. Bhatia & Associates
Practicing Company Secretaries

Place : Mumbai

Date : 7th May, 2010

N. L. Bhatia

Partner

C. P.No. 422

NOTICE is hereby given that the 63rd Annual General Meeting of the Members of Piramal Healthcare Limited will be held on Friday, the 9th day of July, 2010 at 3.00 p.m. at Yashwantrao Chavan Pratisthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021, to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit and Loss Account for the year ended on 31st March, 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. R. A. Shah, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. N. Vaghul, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. Payment of Commission to Non-Executive Directors

To consider and, if thought fit, to pass, with or without modification(s) as may be permissible, the following resolution as a **Special Resolution**:

“RESOLVED THAT in accordance with the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and Article 118 of the Company’s Articles of Association, the Company do hereby renew the Special Resolution passed at the Annual General Meeting held on 7th July, 2005, authorising the payment of commission at the rate upto 1 percent of the net profits of the Company in each year to the Directors (other than the whole-time Directors) for a further period of 5 years commencing from the Company’s financial year ending 31st March 2011, and that such commission may be divided by the Board of Directors amongst such Directors and in such manner or proportion and on such basis as they may in their discretion decide;

RESOLVED FURTHER THAT the aforesaid commission shall be exclusive of the fees payable to such Directors for the meetings of the Board or Committee(s) of the Board attended by such Directors;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to this Resolution.”

7. Re-appointment of Mr. N. Santhanam as Executive Director & Chief Operating Officer

To consider and, if thought fit, to pass, with or without modification(s) as may be permissible, the following resolution as a **Special Resolution**:

“RESOLVED THAT in accordance with the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (‘the Act’) (including any statutory modifications or re-enactment thereof for the time being in force), approval of the members be and is hereby accorded to the re-appointment of Mr. N. Santhanam as ‘Executive Director & Chief Operating Officer’, not liable to retire by rotation, for a period of 3 years, with effect from 25th October, 2010, upon the terms and conditions including payment of remuneration, perquisites and benefits as are set out in the draft of the Agreement to be entered into between the Company and Mr. N. Santhanam and main terms of which are set out hereunder, which Draft Agreement is hereby approved, with liberty and powers to the Board of Directors (hereinafter referred to as ‘the Board’, which term shall include its Committee(s) constituted for the purpose) to re-designate him and/or reallocate the duties and responsibilities of Mr. N. Santhanam and to grant increments and alter and vary from time to time the terms and conditions, including the amount and type of perquisites, allowances and benefits to be provided to Mr. N. Santhanam so as not to exceed the remuneration limits as specified in Schedule XIII of the Act or any amendments thereto:

- a) **Basic Salary:** Rs. 93.72 lakhs per annum (payable monthly in arrears) with an authority to the Board to review the same from time to time as it may deem fit, within the limits specified in Schedule XIII of the Act, as may be amended from time to time;
- b) **Performance Linked Incentive:** Subject to the ceilings stipulated in sections 198 and 309 of the Act, such amount as may be determined by the Board for each financial year of the Company or part thereof;
- c) **Special Allowance:** Rs.35.04 lakhs per annum (payable monthly in arrears) or such other amount as per Company Policy in force from time to time or as may be decided by the Board;

- d) **Perquisites and Allowances:** In addition to salary, performance linked incentive and special allowance, Mr. N. Santhanam will be entitled to perquisites, benefits and allowances like furnished residential accommodation (or house rent allowance in lieu thereof), reimbursement of expenses in respect of gas, electricity and water, reimbursement of telephone expenses, furnishing and repairs, medical reimbursement for self and family, Leave Travel Allowance, personal accident insurance, leave and encashment of leave, contributions to provident fund and superannuation or annuity fund, gratuity and/or contribution to gratuity fund, stock options under the Company's Employee Stock Option Plans, chauffeur driven company maintained / leased cars (or allowances in lieu thereof) and such other payments in the nature of perquisites, benefits and allowances as may be decided by the Board;

In arriving at the value of the above perquisites, in so far as there exists a provision for valuation of such perquisites under the Income Tax Rules, the value shall be determined on the basis of the Income Tax Rules in force from time to time;

RESOLVED FURTHER THAT if in any financial year the Company has no profits or its profits are inadequate, Mr. N. Santhanam shall be entitled to receive the same remuneration, perquisites and benefits as above, subject to compliance with the applicable provisions of Schedule XIII of the Act, if and to the extent necessary, with the approval of the Central Government."

8. Keeping of register and index of members and debenture-holders

To consider and, if thought fit, to pass, with or without modification(s) as may be permissible, the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the proviso to Section 163(1) of the Companies Act, 1956, ('the Act') approval be and is hereby accorded to keep the Register and Index of Members and Register and Index of Debenture holders and copies of all annual returns prepared under section 159 together with the copies of the certificates and documents required to be annexed thereto under section 161 of the Act, with the Share Transfer Agents of the Company for the time being, who presently are, Link Intime India Private Limited, having their office presently at C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078 or at such other place where the office of such Share Transfer Agents of the Company may be situated within the local limits of the city of Mumbai."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company have been declared closed from **Thursday, the 1st July, 2010 to Friday, the 9th July, 2010 (both days inclusive).**
4. Dividend on equity shares as recommended by the Board of Directors for the financial year ended 31st March, 2010 when declared at the Meeting, will be paid within 5 days from the date of declaration.

5. Directors

Mr. R. A. Shah and Mr. N. Vaghul are retiring by rotation at this Annual General Meeting (AGM) and are proposed for re-appointment.

Mr. N. Santhanam has been re-appointed as 'Executive Director & Chief Operating Officer' of the Company for a further period of 3 years with effect from 25th October, 2010.

The information to be provided for these Directors under Clause 49 of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report.

None of the directors to be appointed / re-appointed at the Annual General Meeting are related to any other director of the Company.

6. Dividend Payment

As per directive from Securities and Exchange Board of India (SEBI), the Company has been using the Electronic Clearing Service (ECS) of the Reserve Bank of India (RBI), at designated locations, for payment of dividend to shareholders holding shares in dematerialized form. This service was extended by the Company also to shareholders holding shares in physical form, who chose to avail of the same. In this system, the investor's bank account is directly credited with the dividend amount.

As per RBI's notification, with effect from 1st October 2009, the remittance of money through ECS has been replaced by National Electronic Clearing Service (NECS). NECS operates on the new and unique bank account number allotted by banks post implementation of the Core

Banking Solutions (CBS). Pursuant to implementation of CBS, **your bank account number may have undergone a change, which is required to be communicated by you to your Depository Participant (in case of shareholders holding shares in dematerialized form) or to the Company's Share Transfer Agent (in case of shareholders holding shares in physical form, in which case, the communication may be made in the Mandate Form separately enclosed in this Annual Report).**

Shareholders holding shares in physical form who have not yet opted for the ECS Mandate Facility, are urged to avail of the NECS Mandate Facility as this not only protects a shareholder against fraudulent interception and encashment of dividend warrants but also eliminates dependence on the postal system, loss/damage of dividend warrants in transit and correspondence relating to revalidation/issue of duplicate dividend warrants.

Kindly ensure that the above instructions are under your signature (which should be as per specimen registered with the Depository Participant/ Company) and are communicated **before commencement of the book closure date, to facilitate receipt of dividend. Please note that if your new bank account number is not informed as aforesaid, payment of your dividend to your old bank account number may either be rejected or returned.** Kindly refer to the Mandate Form enclosed in this Annual Report for further details.

- Those members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956 on the respective dates mentioned there against. Intimation in this regard is being sent to the concerned shareholders periodically. Kindly note that after such dates, the members will lose their right to claim such dividend.

Financial Year ended	Due date of transfer
31.03.2003	14.07.2010
31.03.2004	25.07.2011
31.03.2005	07.08.2012
31.03.2006	29.07.2013
31.03.2007	15.04.2014 (Interim Dividend)
31.03.2007	15.07.2014 (Final Dividend)
31.03.2008	27.07.2015
31.03.2009	19.07.2016

- Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends for the financial years ended 31st March, 1996 to 31st March, 2002 have been transferred to the Investor Education and Protection Fund.
- Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period(s) are requested to claim the same from the Central Government in the prescribed form.
- Section 109A of the Companies Act, 1956 provides for **Nomination** by the shareholders of the Company in the prescribed Form No. 2B which is available on the website of the Company 'www.piramalhealthcare.com'. Shareholders are requested to avail this facility.
- Over the years, as a result of allotment of shares arising out of earlier mergers, it is possible that multiple folios have been created. We request you to **consolidate multiple folios** existing in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore, no stamp duty or other expenses are payable by you. Many of the shareholders have already done so. In case you decide to consolidate your folios, you are requested to forward your share certificates to the Company's Share Transfer Agent.
- Members are requested to note that in case of transfers, deletion of name of deceased shareholder, transmission and transposition of names in respect of shares held in physical form, submission of photocopy of PAN Card of the transferee(s), surviving holder(s), legal heir(s) and joint holder(s) respectively, along with necessary documents at the time of lodgment of request for these transactions, is now mandatory.

13. M/s Link Intime India Pvt. Ltd. ("Link Intime"), are the new Share Transfer Agents of the Company w.e.f. February 1, 2010. Necessary intimation in this regard was individually mailed to all the shareholders, in addition to public announcements in the newspapers. The contact details of Link Intime are: M/s Link Intime India Pvt. Ltd., C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078, Tel: 25946970; Fax: 25946969; Email: piramal.irc@linkintime.co.in.

Registered Office:
Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

Dated : 7th May, 2010

By Order of the Board

Leonard D'Souza
Company Secretary

ANNEXURE TO NOTICE

Explanatory Statement under section 173(2) of the Companies Act, 1956

Item No.6

Payment of Commission to Non-Executive Directors

A commission upto one percent of the net profits of the Company computed in the manner laid down under section 198 of the Companies Act, 1956 in each year was sanctioned for payment to the Directors of the Company other than the Managing Director / Whole-time Director/s, by a Special Resolution passed at the Annual General Meeting held on 7th July 2005, for a period of five years commencing from the financial year ended 31st March, 2006. Since the aforesaid Special Resolution is due for renewal, and to continue to avail of the benefits of professional expertise and business exposures of the eminent personalities on the Board of the Company, it is proposed to renew the same, for a further period of five years commencing from the financial year ending on 31st March, 2011.

All the Directors of the Company except the whole time Directors are deemed to be concerned or interested in the Resolution set out at Item No.6 of the Notice to the extent of the remuneration that may be received by them.

The Board recommends the resolution appearing at item no. 6 of the accompanying notice for your approval.

Item No.7

Re-appointment of Mr. N. Santhanam as Executive Director & Chief Operating Officer

Members will recall that at the Extra-ordinary General Meeting held on 23rd November, 2007, members had approved the appointment of Mr. N. Santhanam as Executive Director & Chief Financial Officer, for a period of 3 years, w.e.f. 25th October, 2007. During his current tenure, Mr. Santhanam was entrusted with new responsibilities of the Healthcare Solutions, Pharma Solutions, Vitamins & Fine Chemicals, Diagnostic Equipment & Services and Critical Care businesses of the Company. Consequent to his enlarged scope of responsibilities, the Board had re-designated him as Chief Operating Officer to reflect his new responsibilities.

Since the said period of 3 years was to expire on 24th October, 2010, the Board of Directors of the Company, at its meeting held on 7th May, 2010, taking into consideration his excellent performance, leadership skills and deep knowledge of the various businesses of the Company, decided to continue the appointment of Mr. N. Santhanam as 'Executive Director & Chief Operating Officer', not liable to retire by rotation, for a further period of 3 years, with effect from 25th October, 2010 and approved the terms and conditions including payment of remuneration as recommended by the Remuneration Committee, subject to the requisite approval of shareholders.

Mr. N. Santhanam is a Chartered Accountant by profession and has more than 38 years of rich and varied experience in Corporate Accounts, Finance, Treasury, Taxation, Secretarial and Legal, M&A and general business management. For a period of 6 years from 2001 he was the Chief Financial Officer of your Company. Further details relating to Mr. Santhanam are given in the Corporate Governance Section of this Annual Report.

The main terms and conditions, including remuneration payable to Mr. N. Santhanam as contained in the draft Agreement proposed to be entered into by the Company with Mr. N. Santhanam, are set out in the resolution at item no.7 of the accompanying Notice seeking approval of the members

to his appointment and payment of remuneration.

The above may be treated as the requisite abstract of the Draft Agreement proposed to be entered into by the Company with Mr. N. Santhanam, as required under section 302 of the Companies Act, 1956.

The said draft Agreement is open for inspection of the members of the Company, on all working days (except Saturday) prior to the date of the Meeting, between 10.00 a.m. to 12.00 noon at the Registered Office of the Company.

Mr. Santhanam may be deemed to be interested in this resolution as it concerns his appointment.

The Board recommends the resolution appearing at item no. 7 of the accompanying notice for your approval.

Item No. 8

Keeping of register and index of members and debenture-holders

At the last Annual General Meeting held on 18th June, 2009, a Special Resolution was passed under proviso to section 163(1) of the Companies Act, 1956 ('the Act') for keeping the Register and Index of Members and Register and Index of Debenture-holders and copies of all annual returns prepared under section 159 together with copies of certificates and documents required to be annexed thereto under section 161, at the premises of the then Company's Share Transfer Agents namely, Freedom Registry Limited.

Subsequently, with effect from 1st February, 2010 Link Intime India Private Limited having their office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078 have been appointed as the Share Transfer Agents of the Company in place of Freedom Registry Limited, which was communicated to the members by the Company.

Hence this special resolution for approval of the members for keeping the aforesaid registers, indexes, returns and copies of all such certificates and documents with the Company's Share Transfer Agents. At present Link Intime India Private Limited are the Share Transfer Agents and their office is situated at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078.

The proposed resolution facilitates keeping of such documents with any company or firm who may be the Share Transfer Agents of the Company for the time being and at such office that may be designated by the Share Transfer Agents within the limits of the city of Mumbai, in which case, intimation giving details of such change would be duly provided to the shareholders.

Your directors recommend the special resolution at item no. 8 of the accompanying notice for your approval.

None of the Directors are, in any way, concerned or interested in the aforesaid resolution.

Registered Office:

Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400 013.

Dated: 7th May, 2010

By Order of the Board

Leonard D'Souza
Company Secretary

Directors' Report

Dear Shareholders,

We take pleasure in presenting the 63rd Annual Report and Audited Accounts for the Year ended 31st March 2010.

PERFORMANCE HIGHLIGHTS: (Standalone)

(Rs. in Million)

Year Ended 31st March	FY 2010	FY 2009	% Growth
Total operating income	26,662.1	23,334.6	14.3
OPBITDA excluding FOREX impact	6,043.0	5,217.0	15.8
Foreign Exchange (Gain) / Loss	106.1	966.5	
OPBITDA	5,936.9	4,250.5	39.7
% margin	22.3	18.2	
Non-operating other income	116.5	112.4	3.6
EBIDTA	6,053.4	4,362.9	38.7
Less:			
Interest (Net)	355.0	379.0	(6.3)
Depreciation	922.2	838.1	10.0
Profit before tax and Exceptional items	4,776.2	3,145.8	51.8
Exceptional items	3.6	—	
Profit Before Tax	4,772.6	3,145.8	51.7
Less:			
Income Tax provision	340.4	392.6	(13.3)
– Current	834.4	357.2	
– Deferred	78.8	107.3	
– MAT Credit Entitlement	(572.8)	(320.4)	
– Fringe Benefits Tax	—	248.5	
Profit after tax	4,432.2	2,753.2	61.0
% margin	16.6	11.8	
Add:			
Profit brought forward from previous year	3,208.6	3,208.6	
Profit available for appropriation	7,640.8	5,961.8	
Appropriation:			
Proposed dividend			
– Equity Shares	1,128.6	877.9	
– Dividend Distribution Tax thereon	187.5	149.2	
Transfer to General Reserve	1,393.3	1,401.1	
Transfer to Capital Redemption Reserve	—	—	
Transfer to Debenture Redemption Reserve	325.0	325.0	
Balance carried to Balance Sheet	4,606.4	3,208.6	
Earnings Per Share (Basic / Diluted) (Rs.)	21.2	13.2	

DIVIDEND

The Board has recommended Equity Dividend at Rs. 5.40 per share (i.e. 270 %) on 20,90,13,144 equity shares of Rs. 2/- each, which will be paid to eligible members on or after July 9, 2010, after approval by the members at the forthcoming Annual General Meeting.

The total cash outflow on account of equity dividend payments, including distribution tax, will be Rs. 1,316.1 million. (FY2009 Rs. 1,027.1 million)

The Board recommends the above dividend for declaration by the members.

OPERATIONS REVIEW:

Total operating income for the year grew by 14.3% to Rs. 26.7 billion compared to Rs. 23.3 billion for the year ended 31st March 2009. Operating Profit (OPBIDTA) grew by 39.7% to Rs. 5.9 billion. Profit after Tax was higher at Rs. 4.4 billion against Rs. 2.8 billion for the previous year registering growth of 61.0%. Earnings per share for the year were also higher at Rs. 21.2 per share as against Rs. 13.2 in FY2009.

A detailed discussion of operations for the year ended 31st March 2010 is given in the Management Discussion and Analysis section.

RESEARCH & DEVELOPMENT:

The Company continues to conduct Research and Development related to:

- Development of conventional and novel dosage forms for drug products across all the major therapeutic areas for the domestic market;
- Pre-formulation and formulation development and clinical manufacturing of NCE's for external clients; Process optimization / research and scale up, for the early phase projects from clients;
- Development of cost effective and environment friendly process for commercial manufacturing of Active Pharmaceutical Ingredients (APIs) and their intermediates.

Total R&D expenditure during the year was Rs. 403.8 million, including capital expenditure of Rs. 41.9 million. The corresponding previous year spends were Rs. 656.0 million and Rs. 208.4 million respectively. The research and development staffs were 86 people from 143 people in FY2009.

SUBSIDIARY COMPANIES:**Piramal Diagnostic Services Pvt. Ltd. (PDSL):**

During the year we focused on consolidation of business which was built inorganically over the past several years. The focus for the year was on improving processes and systems. Total Operating Income of the business grew by 22.2% from Rs. 1.7 billion in FY2009 to Rs. 2.1 billion in FY2010. Operating Profit for the year was up by 21.9% to Rs. 377.4 million from Rs. 309.6 million in FY2009. Piramal Diagnostic has 94 laboratories across 58 locations in India.

Piramal Healthcare UK Ltd.:

In FY2009, we closed down one of our facilities in Huddersfield, U.K. which had lower profitability. This resulted in lower sales for this company in FY2010. The Net sales for FY2010 were Rs. 4.6 billion as compared to Rs. 6.1 billion for FY2009. However, Operating Profit Margin for the company was up from 10.9% in FY2009 to 12.4% in FY2010. Operating profit for the year was lower at Rs. 565.6 million compared to Rs. 667.8 million for FY2009. However due to creation of deferred tax asset of Rs. 479.5 million, Net Profit for the year was higher at Rs. 683.8 million, as against loss of Rs. 153.2 million for FY2009.

Piramal Healthcare (Canada) Ltd.:

Our subsidiary at Canada continues to be affected by lower funding for R&D firms. Net Sales for FY2010 was Rs. 893.6 million as compared to Rs. 1.0 billion in FY2009. Operating profit for the year was lower at Rs. 92.8 million as compared to Rs. 119.9 million in FY2009. Similarly, Net Profit for the year was Rs. 27.5 million as compared to Rs. 47.6 million for FY2009.

Piramal Critical Care Inc.:

Since our acquisition of Minrad Inc., operations at Minrad have been completely integrated. We have increased the production at Bethlehem facility with significant reduction in cost. Sevoflurane market share grew from 4.7% to 17.8% in volume terms in US market. Net sales for the year was higher at Rs. 1.8 billion against Rs. 145.5 million for FY2009. As a result, operating profit was also higher at Rs. 172.6 million against Rs. 37.2 million during the last corresponding period. Net loss for the year was at Rs. 211.0 million compared to Net Profit of Rs. 424.5 million in FY2009.

The Central Government has granted exemption under section 212(8) of the Companies Act 1956, from attaching to the Balance Sheet of the Company, the Accounts and other documents of its subsidiaries. However, the Consolidated Financial Statements of the Company, which include

DIRECTORS' REPORT

the results of the said subsidiaries, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's subsidiaries is also enclosed. Copies of the audited annual accounts of the Company's subsidiaries can also be sought by any investor of the Company or its subsidiaries on making a written request to the Company Secretary at the registered office of the Company in this regard. The Annual Accounts of the subsidiary companies are also available for inspection for any investor at the Company's and/or concerned subsidiaries' registered office and are also available on the Company's website i.e. www.piramalhealthcare.com

JOINT VENTURES:

Allergan India Private Limited ('AIL')

AIL is a 51:49 Joint Venture between Allergan Inc., USA and Piramal Healthcare Limited. Total Operating Income of AIL grew by 8.6% to Rs. 1.1 billion (FY2009 Total Operating Income: Rs. 1.0 billion). The PBIDT for FY2010 was up by 8.5% to Rs. 349.7 million as compared to Rs. 322.3 million in FY2009. Profit after tax for FY2010 was up by 15.9% to Rs. 220.6 million as compared to Rs. 190.3 million for FY2009.

INDUSTRY OUTLOOK:

The domestic pharmaceutical industry continued to witness strong growth momentum. Led by strong penetration into tier II/III cities, increased number of new product launches and increase in field-force strength, the market grew by a robust 17.7% (ORG IMS MAT March 2010). Indian Pharmaceutical market has become increasingly attractive for large multinational pharmaceutical companies as they aggressively pursue growth opportunities in the emerging markets.

The demand in the pharmaceutical outsourcing market continued to be soft. Due to reduction in inventory level across many large multinational pharmaceutical companies, the industry struggled to grow for most parts of FY2010. However, towards the end of the year, one could see a definite recovery in the business environment. The inventory de-stocking phenomena is coming to an end. The underlying rationale for outsourcing is now more relevant than ever before, hence over a medium term we see attractive growth opportunities in this business.

INTERNAL CONTROL SYSTEM:

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 significant issues raised by both, the Internal Auditors and the Statutory Auditors.

HUMAN RESOURCES:

Employees are vital to Piramal Healthcare. We have created a favorable work environment that encourages innovation and meritocracy. We had staff strength of 7,311 employees (FY2009: 7,397 employees) as at 31st March 2010.

No.	Function	31st March 2010	31st March 2009	Change
a.	Field	4,103	3,984	119
b.	R&D	86	143	(57)
c.	Others	3,122	3,270	(148)
	Total	7,311	7,397	(86)

Any shareholder interested in obtaining a copy of the statement of particulars of employees referred to in section 217(2A) of the Companies Act 1956, may write to the Company Secretary at the Registered Office of the Company.

Stock Options disclosures pursuant to the applicable requirements of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given as an Annexure to this Report.

CHANGE IN SHARE TRANSFER AGENT:

M/s. Link Intime India Pvt. Ltd. ('Link Intime') have been appointed as the new Share Transfer Agents of the Company with effect from February 1, 2010. Necessary communication in this regard was mailed individually to all the Shareholders as well as by advertisement in the newspapers. Contact details of Link Intime have been provided under the Corporate Governance Section of this Annual Report and the same are also available on the website of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956 we hereby state:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and its profit for the year ended on that date;
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS:

Mr. R. A. Shah and Mr. N. Vaghul retire by rotation at the ensuing Annual General Meeting and are proposed for re-appointment.

Mr. N. Santhanam has been re-appointed as 'Executive Director & Chief Operating Officer' of the Company for a further period of 3 years with effect from 25th October, 2010.

The Board recommends their re-appointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE:

The Company has complied with the applicable provisions of Corporate Governance under clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance compliance is included as a part of the Annual Report alongwith the Certificate from Mr. N.L. Bhatia, Practicing Company Secretary.

FIXED DEPOSIT:

We have discontinued accepting /renewing fixed deposits. Unclaimed Fixed Deposits from the public shareholders as on 31st March 2010 amounted to Rs. Nil (FY2009: Rs. 5,000).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this Report.

GROUP:

As per the intimation from the Promoters, the names of the Promoters and the entities comprising 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) are given for the purpose of SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997 in the Annexure to this Report.

AUDITORS:

M/s. Price Waterhouse, retire as Auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment.

ACKNOWLEDGEMENTS:

We take this opportunity to thank the employees for their dedicated service and contribution to the Company. Our sincere appreciation is also due to the Medical Profession and Distributors for the patronage of our products.

We also thank our strategic alliances and joint venture partners, banks, financial institutions, business associates and our shareholders for their continued support towards conduct of efficient operations of the Company.

By Order of the Board

Ajay G. Piramal
Chairman

Mumbai
7th May, 2010

ANNEXURE TO DIRECTORS' REPORT**I. Particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2010****Conservation of Energy**

During the year, the Company introduced the following measures to conserve energy:

Pithampur

- » Increased the quantum of steam condensate being recycled to the boiler, thereby saving water and recovering heat for use as boiler feed;
- » Steam traps not operating optimally identified in audit and changed, resulting in reduction in steam wastage, thereby reducing the steam generation;
- » Installed energy efficient chilled water pumps leading to reduction in power consumption;
- » Cooling Tower Fan changed thereby increasing cooling tower efficiency and reducing operating hours of cooling tower, leading to energy savings;
- » De-scaled chilled water and cooling water headers, thereby increasing the cooling efficiency and reducing the chiller operating hours, leading to savings in power consumption;
- » Increased awareness of energy conservation among all employees by conducting workshops, circulating daily section-wise power consumption report and instituting a reward scheme under "Manthan" (an Operational Excellence Programme);

Mahad

- » Temperature controllers installed for cooling towers, resulting in energy savings;
- » Installation of timers for chillers, resulting in energy savings;
- » Variable frequency drive installed on different machines resulted in energy conservation;
- » System developed for recovering water from certain manufacturing processes: the processed water is circulated in the cooling tower sump and used for gardening, leading to water conservation;
- » Rain water harvesting implemented: harvested water used for domestic purpose, leading to water conservation;

Baddi

- » Replaced FFS machine dedicated Chiller with Plate Heat Exchanger;
- » Increased steam to fuel ratio from 3.9 to 4.12;
- » Servo stabilizer installed in lighting circuit of HMX plant;
- » Installed VFD on Boiler FD fan;

VFCD Plant

- » Variable frequency drives installed for high power continuously running motors, leading to energy conservation;
- » Optimized usage of high pressure steam as per process requirement. Continuous monitoring of Biomass quality and enhanced controls on Biomass addition in boiler, resulted in savings in Biomass consumption;
- » Cooling media changed from chilled water to cooling tower water in certain chemical processes, thereby drastically reducing load on the Vapour Absorption Machine, leading to savings in Biomass consumption and energy conservation;

Digwal

- » Lighting Energy Conserver installed in lighting circuit, leading to energy conservation;
- » Two transformers inter-connected with 'bus coupler', leading to savings in energy;
- » Brine chilling systems remodeled and optimized resulting in energy conservation;
- » Installation of auto cut-off valve system and temperature cut-off system in certain areas, leading to energy conservation;
- » Higher rated capacity pumps (vacuum & centrifugal) replaced with modified capacity pumps (after analyzing the user requirements) leading to energy savings;

Ennore

- » Reduction in fuel consumption in DG Set, by reducing its frequency;
- » Reduction in energy consumption, by installing timers to vessel lamp fittings;
- » Replaced ML lamps with HPL / CFL lamps, leading to savings in energy;
- » Replaced sodium vapour lamps with metal halide lamp, leading to energy savings;

Pawne

- » Installed power capacitors to improve the power factor from 0.80 to 0.90 thereby leading to energy savings.

FORM A

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
A. Power and Fuel Consumption		
1. Gas and Electricity		
(a) (i) Gas		
Unit (000 M3)	—	—
Total Amount (Rs. In Lakhs)	—	—
Rate/Unit (Rs)	—	—
(ii) Electricity		
Unit (000)	53,929.0	57,397.5
Total Amount (Rs. In Lakhs)	2,352.9	2,308.2
Rate/Unit (Rs)	4.4	4.0
(b) Own Generation		
Diesel Generator		
Unit (000)	6,631.1	5,850.1
Total Amount (Rs. In Lakhs)	700.7	551.7
Rate/Unit (Rs)	10.6	9.4
2. Coal		
Qty. (Tonnes)	24,512.0	26,757.6
Total Cost (Rs. In Lakhs)	927.2	1,059.3
Cost / Unit (Rs)	3.8	4.0
3. Furnace Oil		
Qty. (K.Ltrs)	406.5	430.6
Total Cost (Rs. In Lakhs)	114.0	117.2
Average / K ltrs. (Rs)	28,040.0	27,209.0
4. Other		
(I) Hydle Power		
Qty. (000M3)	4,400.0	4,400.0
Total Cost (Rs. in Lakhs)	181.2	169.4
Average Rate	4.1	3.9
(II) HSD OIL		
Qty.(K.Ltrs)	1,073.0	839.0
Total Cost (Rs. In Lakhs)	379.1	304.7
Average Rate	35.3	36.3
(III) Biomass		
Qty.(Tonne)	4,879.0	6,639.4
Total Cost (Rs. In Lakhs)	234.7	289.9
Average Rate	4.8	4.4
(IV) Husk		
Qty. (Tons.)	4,899.5	4,310.6
Total Cost (Rs. In Lakhs)	182.6	195.7
Average Rate/Kg (Rs.)	3.7	4.5

B. Consumption per unit of Production (Rs. in Lakhs)

The operations of the Company not being power intensive and since it involves multiple products, disclosure of consumption figures per unit of production is not meaningful.

FORM B

1. Specific areas in which R&D work is being carried out by the Company**Pharmaceutical R&D**

- Pre-formulation and formulation development of various dosage forms for Pharma Solutions (international clients) and Healthcare Solutions (domestic market) including the development of platform technologies and novel packaging;

Process Development

- Process optimization, research, development and scale up for early phase projects from big pharma companies and mid size bio-tech companies;
- Development of cost effective and environment friendly processes for commercial manufacturing of Active Pharmaceutical Ingredients (APIs) and/or their intermediates;
- Innovative process development to achieve commercial and technical breakthroughs;

2. Benefits derived as a result of the above**Pharmaceutical R&D**

- Cost effective development of formulations for global pharmaceutical companies, thus bringing in more molecules into the global pipeline;
- Presence of large number of new products in the domestic market for treating varied therapeutic areas, thereby reducing the burden of disease;

Process Development

- Low cost and technically efficient development and manufacturing options available to customers;
- Offered wide range of services to customer for their drug development;

3. Future Plan of Action**Pharmaceutical R&D**

- Growing a pipeline of novel products for the domestic market and novel platforms for broad usage;
- Becoming the Key India based contract formulation development and clinical supplies partner for major global pharmaceutical companies;
- Differentiating ourselves on technical excellence across all faculties;

Process Development

- Continue to develop cost effective and environment friendly processes for manufacture of quality APIs and their Intermediates;
- Explore newer areas of chemistry and technology for providing low cost solutions to customers;

4. Expenditure on R&D

(Rs. in Million)

– Capital	41.9
– Recurring	361.9
– Total	<u>403.8</u>
– Total R&D Expenditure as a percentage to sales	<u>1.5%</u>

5. Technology Absorption, Adaptation and Innovation**Pithampur**

- » Installed new capping machine for fixing tamper proof caps on bottles, thereby making the bottle tamper proof;
- » Developed new moulds for the Form-fill-seal machines, to form bottles suitable to fit tamper proof caps, thereby reducing wastage of LDPE granules by reducing scrap generation;

Mahad

- » Ultra filtration water system installed in general tablet plant with continuous re-circulation loop;
- » Automatic video-jet printing machine installed for overprinting sachets laminates to reduce cycle time;
- » High efficiency air wash system installed in final change room of Hormone Tablets Section, thereby improving Safety Health & Environment (EHS);

- » Major ETP modification carried out for total elimination of any oil particles in effluent by providing oil separator thus improving EHS systems;
- » State of art facility for storage of Ethanol installed with separate dispensing area to improve EHS systems;

Baddi

- » Installed new bi-layer Sejong compression machine for production of bi-layer tablets whereby two API layers with different colours would be separately visible;
- » Tablet Area converted to low RH (Relative Humidity) areas to facilitate transfer from R&D section to the Plant section, of new tablets which may be moisture sensitive;
- » Semi Automatic packing machine installed & operation started for faster delivery of unit packs including physician samples to improve productivity;
- » Automatic Ink-jet printing machine installed on all packing lines for overprinting show boxes to reduce rejection;
- » Automatic Bin wash machine installed for effective cleaning of blenders / containers used in the manufacturing process, thereby eliminating manual intervention;
- » New high efficiency blower installed on Fluid Bed Dryer to improve drying time;

VFCD Plant

- » Yield of Active Pharmaceutical Ingredients (APIs) improved with the improvement in ejector vacuum;
- » Drastic reduction in Organic Volatile Substances achieved by improving manufacturing & drying technology;
- » Improvement in solvent recovery process by adopting improved technology & modified process;
- » Cycle time reduction & yield improvement achieved in certain derivative product by using improved process engineering technology;

Digwal

- » Successfully completed scale-up and validation batches of new products with improved technology;
- » Successfully commissioned the state-of-the-art class 100000 manufacturing facility for certain products;

Ennore

- » Process improvements implemented with respect to certain products, resulting in elimination of certain solvent and solid waste generation, thereby contributing to the environment;
- » Cryogenic facility created in the PDS facility to handle reaction at extreme temperatures;
- » Indigenous development of systems to handle Mutagenic and Genotoxic compounds in PDS plants;

Pawne

- » Installed large capacity filtration unit and peristaltic pump for quicker filtration.

6. Foreign Exchange Earnings and Outgo

During the year, foreign exchange earnings were Rs. 3.8 billion as against outgo of Rs. 1.8 billion.

II. Group Coming within the Definition of 'Group' as Defined in Monopolies and Restrictive Trade Practices Act, 1969 (MRTP)

The persons and entities which constitute the Group coming within the definition of 'group' as defined in MRTP which exercises, or is established to be in a position to exercise, control, directly or indirectly, over the Company, include the following:

- Mr. Ajay G. Piramal
- Dr. (Mrs.) Swati A. Piramal
- Mrs. Lalita G. Piramal
- Ms. Nandini Piramal
- Mr. Anand Piramal
- Adelwise Investments Pvt. Ltd.
- Ajay G. Piramal (HUF)
- Akshar Fincom Pvt. Ltd.
- Alpex Holdings Pvt. Ltd.
- Alpex International Ltd.
- Alpex Power Pvt. Ltd.
- BMK Laboratories Pvt. Ltd.
- Cavaal Fininvest Pvt. Ltd.
- Glass Engineers Pvt. Ltd.
- Gopikisan Piramal Pvt. Ltd.
- Gopikisan Piramal (HUF)
- INDIAREIT Fund Advisors Pvt. Ltd.
- IndiaVenture Advisors Pvt. Ltd.
- Nandini Piramal Investments Pvt. Ltd.
- Nicholas Piramal Pharma Pvt. Ltd.
- Paramount Pharma Pvt. Ltd.
- PEL Management Services Pvt. Ltd.
- PGL Holdings Pvt. Ltd.
- PHL Fininvest Pvt. Ltd.
- PHL Holdings Pvt. Ltd.
- Piramal Capital Pvt. Ltd.
- Piramal Diagnostic Services Pvt. Ltd.
- Piramal Enterprises Ltd.
- Piramal International Pvt. Ltd.
- Piramal Management Services Pvt. Ltd.
- Piramal Pharmaceutical Development Services Pvt. Ltd.
- Piramal Texturising Pvt. Ltd.
- Piramal Water Pvt. Ltd.
- Propiedades Realities Pvt. Ltd.
- Savoy Finance & Investment Pvt. Ltd.
- The Ajay G. Piramal Foundation
- The Sri Gopikrishna Trust
- The Sri Govinda Trust
- The Sri Hari Trust
- The Sri Krishna Trust
- The Swastik Safe Deposit & Investments Ltd.
- Vulcan Investments Pvt. Ltd.
- Piramal Glass Ltd.
- Piramal Life Sciences Ltd.

The above disclosure has been made, inter-alia, for the purpose of Regulation 3(1)(e) of SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 1997.

III. Disclosures Regarding Stock Options

Pursuant to the applicable requirements, if any, of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines"), following disclosures are made in connection with the ESOP Scheme of the Company, for Options granted to the Company's Employees for the financial year ended 31st March, 2010.

Sr. No.	Details	Disclosures												
(i)	Options Granted for FY2010	4,15,300 Options												
(ii)	Pricing Formula	<p>The option price is determined by the Trustees of the Piramal Healthcare Limited Senior Employees Stock Option Scheme ('ESOP Trust') and is subject to a limit not exceeding the higher of:</p> <p>(a) market price on the date of grant; or</p> <p>(b) average of the price prevailing for the type of share or other security in respect of which the option is granted during the 3 (three) months immediately preceding the date on which the option is offered to the Employee; or</p> <p>(c) the issue price of any such shares or securities if the same have been issued within three months prior to the option.</p> <p>Options granted during the financial year ended 31st March 2010, were at an exercise price of Rs.125 per share which was approved by the Trustees of the ESOP Trust, taking into consideration several factors.</p>												
(iii)	Options Vested during FY2010	<table border="1"> <thead> <tr> <th>Options</th> <th>Relating to Fin Yr</th> </tr> </thead> <tbody> <tr> <td>Nil</td> <td>FY-06</td> </tr> <tr> <td>1,73,913</td> <td>FY-07</td> </tr> <tr> <td>Nil</td> <td>FY-08</td> </tr> <tr> <td>1,00,650</td> <td>FY-09</td> </tr> <tr> <td>Nil</td> <td>FY-10</td> </tr> </tbody> </table>	Options	Relating to Fin Yr	Nil	FY-06	1,73,913	FY-07	Nil	FY-08	1,00,650	FY-09	Nil	FY-10
Options	Relating to Fin Yr													
Nil	FY-06													
1,73,913	FY-07													
Nil	FY-08													
1,00,650	FY-09													
Nil	FY-10													
(iv)	Options Exercised during FY2010	<table border="1"> <thead> <tr> <th>Options</th> <th>Relating to Fin Yr</th> </tr> </thead> <tbody> <tr> <td>80,270</td> <td>FY-06</td> </tr> <tr> <td>1,56,561</td> <td>FY-07</td> </tr> <tr> <td>1,20,350</td> <td>FY-08</td> </tr> <tr> <td>73,800</td> <td>FY-09</td> </tr> <tr> <td>Nil</td> <td>FY-10</td> </tr> </tbody> </table>	Options	Relating to Fin Yr	80,270	FY-06	1,56,561	FY-07	1,20,350	FY-08	73,800	FY-09	Nil	FY-10
Options	Relating to Fin Yr													
80,270	FY-06													
1,56,561	FY-07													
1,20,350	FY-08													
73,800	FY-09													
Nil	FY-10													
(v)	Total number of shares arising as a result of exercise of options	Same as Options exercised, as each Option entitles the holder thereof to 1 equity share.												
(vi)	Options Lapsed	<table border="1"> <thead> <tr> <th>Options</th> <th>Relating to Fin Yr</th> </tr> </thead> <tbody> <tr> <td>22,255</td> <td>FY-06</td> </tr> <tr> <td>62,441</td> <td>FY-07</td> </tr> <tr> <td>82,825</td> <td>FY-08</td> </tr> <tr> <td>8,550</td> <td>FY-09</td> </tr> <tr> <td>Nil</td> <td>FY-10</td> </tr> </tbody> </table>	Options	Relating to Fin Yr	22,255	FY-06	62,441	FY-07	82,825	FY-08	8,550	FY-09	Nil	FY-10
Options	Relating to Fin Yr													
22,255	FY-06													
62,441	FY-07													
82,825	FY-08													
8,550	FY-09													
Nil	FY-10													
(vii)	Variation of terms of Options	None												

Sr. No.	Details	Disclosures												
(viii)	Total number of Options in force	<table> <thead> <tr> <th>Options</th> <th>Relating to Fin Yr</th> </tr> </thead> <tbody> <tr> <td>17,937</td> <td>FY-06</td> </tr> <tr> <td>39,430</td> <td>FY-07</td> </tr> <tr> <td>1,64,050</td> <td>FY-08</td> </tr> <tr> <td>2,77,050</td> <td>FY-09</td> </tr> <tr> <td>4,15,300</td> <td>FY-10</td> </tr> </tbody> </table>	Options	Relating to Fin Yr	17,937	FY-06	39,430	FY-07	1,64,050	FY-08	2,77,050	FY-09	4,15,300	FY-10
Options	Relating to Fin Yr													
17,937	FY-06													
39,430	FY-07													
1,64,050	FY-08													
2,77,050	FY-09													
4,15,300	FY-10													
(ix)	Employee-wise details of options granted													
	– senior managerial personnel	All Stock Options that have been granted by the Company as aforesaid, have been granted to senior managerial personnel.												
	– employees who receives a grant in any one year of option amounting to 5% or more of options granted during that year	<p>The following employees have received a grant amounting to 5% or more of Options granted during FY10:</p> <ol style="list-style-type: none"> Mr. N. Santhanam Executive Director & Chief Operating Officer Mr. Rajesh Laddha Chief Financial Officer 												
	– identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None												

Note :

Since the PHL ESOP Scheme is implemented by the ESOP Trust and the shares issued by the ESOP Trust against exercise of stock options are those that have been acquired by the ESOP Trust from existing shareholders and not fresh shares issued by the Company, there will not be any increase in the share capital of the Company, nor will there be any impact on the Earnings Per Share or other ratios relating to share capital as a result of such exercise of Stock Options.

AUDITORS' REPORT TO THE MEMBERS OF PIRAMAL HEALTHCARE LIMITED

1. We have audited the attached Balance Sheet of Piramal Healthcare Limited, as at March 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on March 31, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Izmir,
Dated: May 7, 2010

Partha Ghosh
Partner
Membership Number F-55913

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Piramal Healthcare Limited on the financial statements for the year ended March 31, 2010]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted unsecured loans to four Companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.179,350 lakhs and Rs.44,727 lakhs respectively.
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
(d) In respect of the aforesaid loans granted, there is no overdue amount more than Rupees One Lakh.
(e) The Company has not taken loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public which have matured and are remaining unpaid as at March 31, 2010. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, with the appropriate authorities in India.

9. (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Wealth Tax, Service Tax, Customs Duty and Cess which have not been deposited on account of any dispute.

The particulars of dues of Excise Duty, Sales-Tax and Income-Tax as at March 31, 2010 which have not been deposited on account of a dispute are as follows :

Name of the statute	Nature of dues	Amount * (Rs. Lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	131	1995-2008	Appellate Authority – upto Commissioner's Level
		888	1989-2006	CESTAT
		1	1994-1995	The High Court of Judicature at Indore
Central Sales Tax Act and Local Sales Tax Act	Sales Tax including interest and penalty, as applicable	387	1998-2010	Appellate Authority – upto Joint Commissioner Level
		123	1991 to 2004	Tribunal
Income-tax Act, 1961	Income tax including interest and penalty, as applicable	842	1999-2000, 2003-2004, 2005-2006 and 2006-2007	Appellate Authority – upto Commissioner Level
		885	1998-1999, 2000 to 2006	Income Tax Appellate Tribunal

* Net of amounts paid under protest or otherwise

10. The Company has no accumulated losses as at March 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks during the year, are not prejudicial to the interest of the Company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has created security in respect of debentures issued and outstanding at the year-end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Partha Ghosh
Partner
Membership Number F-55913

Izmir,
Dated: May 7, 2010

Balance Sheet as at March 31, 2010

	Schedule No.	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	418.0	418.0
Reserves & Surplus	2	14,588.3	11,472.2
		15,006.3	11,890.2
Loan Funds			
Secured Loans	3	4,065.3	4,480.1
Unsecured Loans	4	2,544.3	5,288.5
		6,609.6	9,768.6
Deferred Tax Liability (Refer note 7, Sch. 21)		1,304.8	1,180.2
	TOTAL	22,920.7	22,839.0
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	15,702.5	14,278.1
Less : Depreciation		4,963.6	4,090.9
Net Block		10,738.9	10,187.2
Capital Work In Progress		505.6	463.3
		11,244.5	10,650.5
Investments	6	1,926.5	1,299.8
Deferred Tax Asset (Refer note 7, Sch. 21)		256.3	210.5
Current Assets, Loans and Advances			
Inventories	7	2,854.7	2,880.0
Sundry Debtors	8	2,730.7	3,618.8
Cash and Bank Balances	9	156.4	174.7
Other Current Assets	10	72.7	77.4
Loans and Advances	11	8,830.3	8,371.4
		14,644.8	15,122.3
Less : Current Liabilities and Provisions			
Current Liabilities	12	3,613.2	3,271.8
Provisions	13	1,538.2	1,172.3
		5,151.4	4,444.1
Net Current Assets		9,493.4	10,678.2
	TOTAL	22,920.7	22,839.0
NOTES TO THE FINANCIAL STATEMENTS	21		

Schedules referred to above and notes attached thereto form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh

Partner
Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar Director
N Vaghul Director
Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Profit and Loss Account for the Year Ended March 31, 2010

	Schedule No.	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
INCOME			
Sales and Services		27,085.8	23,839.4
Less : Excise Duty		576.4	676.8
Net Sales		26,509.4	23,162.6
Other Income	14	269.2	284.4
		26,778.6	23,447.0
EXPENDITURE			
Materials	15	11,244.7	9,551.4
Staff Cost	16	2,989.3	2,515.5
Research and Development Expenses	17	361.9	411.6
Other Expenses	18	6,347.7	6,755.5
(Increase) / Decrease in WIP / Finished Goods	19	(218.4)	(149.9)
		20,725.2	19,084.1
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			
		6,053.4	4,362.9
Less : Interest (Net)	20	355.0	379.0
PROFIT BEFORE DEPRECIATION AND TAX			
		5,698.4	3,983.9
Less : Depreciation		922.2	838.1
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			
		4,776.2	3,145.8
Less : Exceptional Items		3.6	—
PROFIT BEFORE TAX			
		4,772.6	3,145.8
Less : Provision for Taxation - Current [includes prior period tax Rs.6.4 Million (Previous Year Rs.8.4 Million) and Wealth Tax provision Rs.Nil (Previous Year Rs.1.0 Million)] (Refer note 6, Sch. 21)		834.4	357.2
Less : MAT Credit Entitlement		(572.8)	(320.4)
Less : Deferred Tax (Refer note 7, Sch. 21)		78.8	107.3
Less : Fringe Benefits Tax [Includes prior period tax Rs.Nil (Previous Year Rs.127.1 Million)]		—	248.5
		340.4	392.6
PROFIT FOR THE YEAR			
		4,432.2	2,753.2
Balance Profit Brought Forward		3,208.6	3,208.6
NET PROFIT AVAILABLE FOR APPROPRIATION			
		7,640.8	5,961.8
Proposed Dividend on Equity Shares		1,128.6	877.9
Distribution Tax Thereon		187.5	149.2
Transfer to General Reserve		1,393.3	1,401.1
Transfer to Debenture Redemption Reserve		325.0	325.0
		3,034.4	2,753.2
BALANCE CARRIED TO BALANCE SHEET			
		4,606.4	3,208.6
Earning Per Share (Basic / Diluted) (Rs.) (Face value of Rs.2/- each) (Refer note 20, Sch. 21)		21.2	13.2
NOTES TO THE FINANCIAL STATEMENTS	21		

Schedules referred to above and notes attached thereto form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh

Partner
Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar Director
N Vaghul Director
Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Cash Flow Statement for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	4,772.6	3,145.8
Adjustments for :		
Depreciation	922.2	838.1
Interest Expense	1,563.6	1,806.9
Interest Income	(1,208.6)	(1,427.9)
Dividend on Investments	(78.4)	(39.4)
(Profit) / Loss on Fixed Assets sold (Net)	3.5	(71.9)
Provision for Slow Moving Inventories / (Written Back)	90.0	(50.0)
Provision for Bad & Doubtful Debts	—	66.0
Unrealised Foreign Exchange Loss / (Gain)	(44.6)	113.1
Exceptional Items	3.6	—
Operating Profit Before Working Capital Changes	6,023.9	4,380.7
Adjustments For Changes In Working Capital :		
– DECREASE / (INCREASE) in Sundry Debtors	815.4	(620.6)
– (INCREASE) in Other Receivables	(638.7)	(4,062.7)
– (INCREASE) in Inventories	(64.7)	(305.1)
– INCREASE in Current Liabilities & Provisions	413.9	433.1
Cash Generated From Operations	6,549.8	(174.6)
– Taxes Paid (Net of Refunds)	(905.4)	(745.2)
Net Cash Before Exceptional Items	5,644.4	(919.8)
– Exceptional Items	(3.6)	—
Net Cash (Used in) / From Operating Activities (A)	5,640.8	(919.8)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Adjustments for changes in :		
Purchase of Fixed Assets	(1,687.7)	(2,804.7)
Capital Work in Progress	(42.3)	14.9
Proceeds from Sale of Fixed Assets	18.2	279.3
Purchase of Investments (Refer Note 23, Sch. 21)	—	(17.5)
Proceeds from Sale of Investments	—	0.3
Interest Received	1,330.2	1,787.3
Dividend on Investments	78.4	39.4
Net Cash (Used in) Investing Activities (B)	(303.2)	(701.0)

Cash Flow Statement for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation Loss of Rs.154.2 Million (Previous Year Loss Rs.346.2 Million) on reinstatement of Foreign Currency Loan]	—	3,502.9
Payments	—	—
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation Loss of Rs. Nil (Previous Year Loss Rs.48.0 Million) on reinstatement of Foreign Currency Loan]	150,698.0	146,680.0
Payments	(152,553.6)	(145,829.1)
Proceeds from Cash Credits		
Receipts [Excludes Exchange Fluctuation Gain of Rs.27.5 Million (Previous Year Loss Rs.107.5 Million) on reinstatement of Foreign Currency Loan]	2,174.0	4,079.9
Payments	(3,102.4)	(4,203.6)
Interest Paid	(1,544.8)	(1,748.2)
Dividend Paid	(877.9)	(877.9)
Dividend Tax Paid	(149.2)	(149.2)
Net Cash (Used in)/ From Financing Activities (C)	(5,355.9)	1,454.8
Net (Decrease) in Cash & Cash Equivalents (A) + (B) + (C)	(18.3)	(166.0)
Cash and Cash Equivalents as at 31.03.2009	174.7	340.7
Cash and Cash Equivalents as at 31.03.2010	156.4	174.7
Cash and Cash Equivalents Comprise of :		
Cash and Cheques on hand	1.3	1.4
Balance with Scheduled Banks	155.1	173.3
	156.4	174.7

Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard (AS - 3) issued by the Institute of Chartered Accountants of India.
- Cash and Cash Equivalents includes Rs.30.6 Million which are not available for use by the Company (Refer Schedule 9 in the accounts).
- Figures in bracket indicate cash outflow.
- Previous year figures have been regrouped and recasted wherever necessary to confirm to current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh
Partner

Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar Director
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Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Director
Director
Executive Director
Executive Director & Chief Operating Officer
Chief Financial Officer
Company Secretary

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
1. SHARE CAPITAL		
AUTHORISED		
25,00,00,000 (25,00,00,000) Equity Shares of Rs.2/- each	500.0	500.0
30,00,000 (30,00,000) Preference Shares of Rs.100/- each	300.0	300.0
2,40,00,000 (2,40,00,000) Preference Shares of Rs.10/- each	240.0	240.0
10,50,00,000 (10,50,00,000) Unclassified Shares of Rs.2/- each	210.0	210.0
	<u>1,250.0</u>	<u>1,250.0</u>
ISSUED & SUBSCRIBED		
20,90,13,144 (20,90,13,144) Equity Shares of Rs.2/- each	418.0	418.0
TOTAL	<u>418.0</u>	<u>418.0</u>

Note :

Of the above :

- 3,90,85,590 Equivalent Equity Shares of Rs.2/- each were allotted as fully paid bonus shares by capitalisation of Share Premium/General Reserve.
- 82,50,000 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
- 88,67,010 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
- 51,97,050 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
- 3,75,25,020 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Piramal Healthcare Limited (PHL) as per the scheme of arrangement.
- The erstwhile Piramal Healthcare Limited shareholders held 9,62,180 warrants with a right to convert into 75 Equivalent Equity Shares of the company for every two warrants held on payment of Rs. 10/- in Cash per Equity Share. Out of this 9,52,644 warrants were converted into 3,57,24,155 shares resulting in the Issued and Subscribed Capital increasing by Rs.71.4 Million. The remaining 9,536 warrants were cancelled.
- 1,57,50,000 Equivalent Equity Shares of Rs.2/- each were allotted to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.
- The Company's Right Issue Offer of 1,90,01,601 Equity Shares of Rs.2/- each for Rs.175/- each (including a Share Premium of Rs.173/- each) for cash aggregating to Rs.3,325.3 Million opened for subscription on August 01, 2005 and closed on August 30, 2005. The offer was oversubscribed 1.2 times. Pursuant to the same, 1,89,97,128 Equity Shares of Rs.2/- each fully paid up were allotted on September 25, 2005 and 11 Equity Shares of Rs.2/- each fully paid were allotted on July 16, 2007. Allotment of the balance 4,462 Equity Shares of Rs.2/- each has been kept in abeyance pending receipt of necessary documentation for establishing title to these Shares.

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
2. RESERVES AND SURPLUS		
CAPITAL SUBSIDY		
As per last Balance Sheet	4.0	4.0
CAPITAL RESERVE		
As per last Balance Sheet	16.2	16.2
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	1,433.3	1,433.3
GENERAL RESERVE		
As per last Balance Sheet	5,951.4	4,550.9
Add : Transferred from Profit and Loss Account	1,393.3	1,401.1
Less : Transfer to Fixed Assets	—	0.6
	7,344.7	5,951.4
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	533.7	533.7
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	325.0	—
Add : Transferred from Profit and Loss Account (Refer note 5, Sch. 21)	325.0	325.0
	650.0	325.0
PROFIT & LOSS ACCOUNT		
As per Annexed Profit and Loss Account	4,606.4	3,208.6
TOTAL	<u>14,588.3</u>	<u>11,472.2</u>

Schedules forming part of the Balance Sheet as at March 31, 2010

		As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
3. SECURED LOANS	Note		
Debtentures	1		
– 12.75% – Secured Redeemable Non Convertible Debtentures (Redeemable at par at the end of 3rd year from the date of allotment – November 26, 2008) (Put / Call option available and exercisable at par at the end of 2nd year from the date of allotment i.e. November 26, 2010)		2,000.0	2,000.0
– 12.10% - Secured Redeemable Non Convertible Debtentures (Redeemable at par at the end of 5th year from the date of allotment - December 15, 2008)		1,500.0	1,500.0
		3,500.0	3,500.0
Cash Credit from Banks (Includes Packing Credit Loans)	2	565.3	980.1
TOTAL		4,065.3	4,480.1

Notes on Secured Loans

1. The Non-Convertible Debtentures are secured on the movable properties of the Company (excluding working capital goods) and on the immovable properties of the Company situated at Gujarat, Baddi, Mahad, Pithampur, Digwal and Bangalore.
2. Cash Credit facilities including Packing Credit in Foreign Currency (PCFC) are secured by hypothecation of stocks and book debts.
3. Satisfaction of charges in respect of certain old loans are still awaited.

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
4. UNSECURED LOANS		
Fixed Deposits (Previous Year Rs.5,000.0) (Refer note 18, Sch. 21)	—	—
Banks and Others [Payable within a year Rs.1,646.3 Million (Previous Year Rs.3,328.2 Million)]	2,544.3	5,288.5
TOTAL	2,544.3	5,288.5

Schedules forming part of the Balance Sheet as at March 31, 2010

5. FIXED ASSETS

(Rs. in Million)

Particulars	COST			DEPRECIATION / AMORTISATION			NET BLOCK			
	Opening As at 01.04.2009	Additions/ Adjustment	Deductions/ Adjustment	As at 31.03.2010 (A)	Opening As at 01.04.2009	For the Year #	Deductions	As at 31.03.2010 (B)	As at 31.03.2009 (A-B)	As at 31.03.2009
Intangible Assets										
Brand/Know-how/Licences/ Trademarks/Intellectual Property Rights *@	4,075.2	1,170.1	—	5,245.3	1,534.0	345.4	—	1,879.4	3,365.9	2,541.2
Computer Software	223.7	95.2	0.3	318.6	137.1	39.4	0.3	176.2	142.4	86.6
Tangible Assets										
Land Leasehold	36.0	—	0.3	35.7	4.1	0.8	—	4.9	30.8	31.9
Land Freehold	466.9	0.1	—	467.0	—	—	—	—	467.0	466.9
Building	2,055.4	90.6	8.4	2,137.6	324.8	75.3	1.3	398.8	1,738.8	1,730.6
Plant & Machinery\$	7,062.6	319.2	247.0	7,134.8	1,968.7	439.4	43.7	2,364.4	4,770.4	5,093.9
Furniture & Fixtures & Office Equipment	320.3	12.5	0.4	332.4	106.9	19.4	0.1	126.2	206.2	213.4
Motor Vehicle / Transport	38.0	—	6.9	31.1	15.3	2.5	4.1	13.7	17.4	22.7
Grand Total	14,278.1	1,687.7	263.3	15,702.5	4,090.9	922.2	49.5	4,963.6	10,738.9	10,187.2
Previous Year	11,372.3	3,150.4	244.6	14,278.1	3,290.0	838.1	37.2	4,090.9	505.6	463.3
Capital Work in Progress (including Capital Advances)									<u>11,244.5</u>	<u>10,650.5</u>

* Refer note 1 (ii), Sch. 21

Refer note 1 (ix), Sch. 21

* The Brands are in the process of being registered in the name of the Company, for which the necessary application has been made with trade mark registry.

Depreciation for the year includes depreciation amounting to Rs.37.1 Million (Previous Year Rs.17.6 Million) on assets used for Research and Development. During the year Company incurred Rs.41.9 Million (Previous Year Rs.206.2 Million) towards capital expenditure for Research and Development. (Refer Note 25, Sch. 21).

@ Refer note 21, Sch. 21

\$ Refer note 22, Sch. 21

Schedules forming part of the Balance Sheet as at March 31, 2010

6. INVESTMENTS (Long Term, Non Trade)

	Nos. as at March 31, 2010	Nos. as at March 31, 2009	Face Value Rupees	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
A) Shares of Companies					
a) Subsidiary Companies (Unquoted)					
i. Piramal International, Mauritius	1025000	1025000	1 USD	35.9	35.9
ii. PHL Fininvest Private Limited (Refer Note 23(a), Sch. 21)	2226052	226052	10.0	26.7	6.7
iii. Piramal Diagnostic Services Private Limited	3859200	3859200	10.0	584.3	584.3
iv. Piramal Holdings (Switzerland) Limited, Switzerland	11000	11000	1000 CHF	383.4	383.4
v. Piramal Pharmaceuticals Development Services Private Limited (Refer Note 23(b), Sch. 21)	6750000	1750000	10.0	67.5	17.5
vi. Piramal Healthcare, Inc., U.S.A. (Refer Note 23(c), Sch. 21) (Previous Year Rs. 48.0)	100	100	0.01 USD	556.7	—
b) Others (Quoted)					
i. Biosyntech, Inc., Canada	7500000	7500000	0.001 CAD	223.2	223.2
ii. Piramal Life Sciences Limited	4550000	4550000	10.0	45.5	45.5
c) Others (Unquoted)					
i. Allergan India Private Limited	3920000	3920000	10.0	39.2	39.2
				<u>1,962.4</u>	<u>1,335.7</u>
Less : Provision for diminution in value of Investment				35.9	35.9
TOTAL				<u>1,926.5</u>	<u>1,299.8</u>

	Cost Rs. in Million	As at March 31, 2010 Market Value Rs. in Million	Cost Rs. in Million	As at March 31, 2009 Market Value Rs. in Million
1. Aggregate value of quoted investments	268.7	616.3	268.7	235.2
2. Aggregate value of unquoted investments	1,657.8		1,031.1	
TOTAL	<u>1,926.5</u>		<u>1,299.8</u>	

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
7. INVENTORIES		
(As certified by the Management)		
Raw & Packing Materials	1,074.9	1,317.4
Work-in-Progress	447.9	494.8
Finished Goods	1,275.8	1,014.5
Engineering Stores	56.1	53.3
TOTAL	<u>2,854.7</u>	<u>2,880.0</u>
8. SUNDRY DEBTORS		
i. Over six months		
Secured – considered good	3.5	1.2
Unsecured – considered good	180.1	126.4
– considered doubtful	<u>525.8</u>	<u>525.8</u>
	709.4	653.4
Less : Provision for Doubtful Debts	<u>525.8</u>	<u>525.8</u>
	183.6	127.6
ii. Others – Considered good		
Secured	39.0	39.8
Unsecured*	<u>2,508.1</u>	<u>3,451.4</u>
	2,547.1	3,491.2
TOTAL	<u>2,730.7</u>	<u>3,618.8</u>
*[Include dues from Piramal Diagnostic Services Private Limited Rs.6.8 Million (Previous Year Rs.12.3 Million), Piramal Pharmaceuticals Development Services Private Limited Rs.0.3 Million (Previous Year Rs.13.3 Million), Piramal Healthcare (Canada) Limited Rs.4.4 Million (Previous Year Rs.1.0 Million), Piramal Healthcare UK Limited Rs. 55.9 Million (Previous Year Rs.NIL), Piramal Critical Care Inc. Rs. 21.3 Million (Previous Year Rs.NIL), Allergan India Private Limited Rs.NIL (Previous Year Rs.1.8 Million)]		
9. CASH AND BANK BALANCES		
i. Cash and Cheques on Hand	1.3	1.4
ii. Balance with Scheduled Banks		
– Current Account	123.7	144.4
– Current Account in respect of Unclaimed Dividend Warrants	29.5	26.7
– Current Account in respect of Right Issue Refund Orders	1.1	1.1
– Others	0.8	1.1
TOTAL	<u>156.4</u>	<u>174.7</u>
10. OTHER CURRENT ASSETS		
Interest, Rent & Claims Receivable	<u>72.7</u>	<u>77.4</u>
TOTAL	<u>72.7</u>	<u>77.4</u>

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
11. LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received Unsecured & Considered Good	238.0	326.9
Considered Doubtful	<u>0.8</u>	<u>0.8</u>
	238.8	327.7
Less : Provision for Doubtful Advances	<u>0.8</u>	<u>0.8</u>
	238.0	326.9
Advance to Piramal Healthcare Limited Senior Employees Stock Option Scheme Trust	26.0	79.3
Advance Tax [Net of Provision of Rs.2,877.8 Million (Previous Year Rs.2,133.2 Million)]	442.2	373.0
MAT Credit Entitlement	1,308.4	735.6
Loan to Subsidiaries	5,311.9	5,988.5
Advance to Subsidiaries	136.2	244.9
Advance for Share Application Money	—	20.0
Inter Corporate Deposits	833.0	83.0
Less : Provision for Doubtful Inter Corporate Deposits	<u>83.0</u>	<u>83.0</u>
	750.0	—
Other Deposits	333.1	440.6
Balance with Customs, Port Trust and Excise Authorities on Current Account	284.5	162.6
TOTAL	<u>8,830.3</u>	<u>8,371.4</u>
12. CURRENT LIABILITIES		
Sundry Creditors		
– Dues to Micro, Small & Medium Enterprises (Refer note 15, Sch. 21)	3.1	—
– Others	2,815.2	2,574.6
Dues to Subsidiaries	216.8	200.7
Advances from Customers	122.3	146.6
Investor Education and Protection Fund Shall be Credited by		
– Unpaid Dividend (Refer note 18, Sch. 21)	29.5	26.7
Rights Issue Money Refundable to Shareholders	1.1	1.1
Interest Accrued But Not Due	97.3	78.5
Other Liabilities	327.9	243.6
TOTAL	<u>3,613.2</u>	<u>3,271.8</u>
13. PROVISIONS		
Proposed Dividend on Equity Shares	1,128.6	877.9
Provision for Wealth Tax less Payment	2.1	3.9
Tax Payable on Proposed Dividend	187.5	149.2
Provision for Employees Retirement Benefits (Refer note 1(v) & 8, Sch. 21)	220.0	141.3
TOTAL	<u>1,538.2</u>	<u>1,172.3</u>

Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
14. OTHER INCOME		
Dividend on Investments from Subsidiaries/Joint Ventures	78.4	39.4
Profit on Sale of Assets (Net)	—	71.9
Processing Charges Received	15.0	16.7
Services & Commission	—	1.3
Rent Received [Tax Deducted at Source Rs.Nil (Previous Year Rs.Nil)]	0.3	1.1
Export Incentive	16.6	12.1
Miscellaneous Income	158.9	141.9
TOTAL	269.2	284.4
15. MATERIALS		
Raw and Packing Materials	6,108.5	6,045.4
Purchase of Trading Goods	5,136.2	3,506.0
TOTAL	11,244.7	9,551.4
16. STAFF COST (Net of Recoveries) (Refer note 24, Sch. 21)		
Salaries, Wages and Bonus (Refer note 8, Sch. 21)	2,654.0	2,211.1
Contribution to Gratuity, Provident and Other Funds (Refer note 8, Sch. 21)	182.8	149.8
Staff Welfare	152.5	154.6
TOTAL	2,989.3	2,515.5
17. RESEARCH AND DEVELOPMENT EXPENSES		
R & D Expenses (Refer note 8, Sch. 21)	361.9	411.6
TOTAL	361.9	411.6
18. OTHER EXPENSES (Net of Recoveries) (Refer note 24, Sch. 21)		
Processing Charges	182.0	229.9
Stores and Spares Consumed	147.7	143.4
Power, Fuel & Water Charges	502.5	486.8
Repairs and Maintenance		
Buildings	98.4	83.8
Plant and Machinery	156.1	142.9
Others	2.6	2.1
	257.1	228.8
Rent		
Premises	201.2	212.8
Other Assets	94.0	89.4
	295.2	302.2
Rates & Taxes (Includes Excise Duty)	123.5	183.6
Insurance	45.7	29.1
Travelling Expenses	759.9	749.4
Directors' Commission	48.1	36.1
Directors' Fees	1.6	1.2
Provision for Doubtful Debts	—	66.0
Loss on Sale of Assets (Net)	3.5	—
Advertisement and Business Promotion Expenses	1,679.2	1,414.0
Freight	332.3	279.0
Clearing and Forwarding Expenses	259.4	187.4
Claims	342.9	286.8
Legal and Professional Charges	308.2	216.1
Exchange Loss (Net)	106.1	966.5
Service Charges Paid	445.7	435.8
Miscellaneous Expenses	507.1	513.4
TOTAL	6,347.7	6,755.5

Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
19. (INCREASE) / DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS		
OPENING STOCKS :		
Work-in-Progress	494.8	470.4
Finished Goods	1,014.5	915.4
Less : Excise Duty	<u>25.9</u>	<u>52.3</u>
	1,483.4	1,333.5
CLOSING STOCKS :		
Work-in-Progress	447.9	494.8
Finished Goods	1,275.8	1,014.5
Less : Excise Duty	<u>21.9</u>	<u>25.9</u>
	1,701.8	1,483.4
TOTAL	<u>(218.4)</u>	<u>(149.9)</u>
20. INTEREST (Net)		
Interest on Fixed Loans	1,354.6	1,409.7
Interest on Others / Debentures	<u>209.0</u>	<u>397.2</u>
	1,563.6	1,806.9
Less : Interest Received		
i. On Term Deposits with Limited Companies & Others [Tax Deducted at Source Rs.122.3 Million (Previous Year Rs.270.5 Million)]	1,172.4	1,407.0
ii. On Income Tax Refund	28.4	8.6
iii. On Receivables and Others	<u>7.8</u>	<u>12.3</u>
	1,208.6	1,427.9
TOTAL	<u>355.0</u>	<u>379.0</u>

Schedules forming part of the Financial Statements for the Year Ended March 31, 2010

21. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) **Basis of Accounting**

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

ii) **Fixed Assets and Depreciation**a. **Fixed Assets****Intangibles**

Brands / know-how (including US FDA / TGA approvals and Business Application Software intended for long term use) are recorded at their acquisition cost and in case of assets acquired on merger, at their carrying values.

Tangibles

All fixed assets are stated at cost of acquisition, less accumulated depreciation and includes adjustment arising from exchange rate variations attributable to fixed assets. In the case of fixed assets acquired for new projects / expansion, interest cost on borrowings, and other related expenses incurred upto the date of completion of project are capitalised.

b. **Depreciation****Intangibles**

Brands / know-how (including US FDA / TGA approvals) / Intellectual Property Rights are amortised from the month of product launch / commercial production, over their estimated economic life not exceeding ten / fifteen years.

Computer Software is being depreciated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

Tangibles

Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Diagnostic equipments placed with customers are amortised over a period of 60 months.

Depreciation on additions / deletions of assets during the year is provided on a pro-rata basis.

c. **Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

iii) **Investments**

Long term investments are stated at cost, except where there is a diminution in value (other than temporary), in which case the carrying value is reduced to recognise the decline.

iv) **Inventories**

Inventories are valued at lower of cost or net realisable value (Cost is determined on weighted average basis). The cost of work-in-progress and finished goods comprises of raw materials, direct labour, other direct costs and related production overheads and Excise duty as applicable. Net realisable value is the estimate of the selling price in the ordinary course of business as applicable.

v) **Retirement Benefits**

The Company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund, Superannuation Fund, Pension and Employees' State Insurance Fund which are recognised by the Income Tax Authorities and administered through its trustees. The Company and eligible employees make monthly contributions to the Provident Fund Trust equal to specified percentage of the covered employees' salary. The interest rate payable by the Provident Fund Trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good any shortfall, if any, between the return from the investments of the trust and the notified interest rates. The Company contributes to Superannuation Fund and Employees' State Insurance Fund and Employees' Pension Scheme 1995 and has no further obligations to the plan beyond its monthly contribution.

The Company has Defined Benefit Plan comprising of Gratuity Fund, Pension Fund, Leave Encashment and Long Term Service Award. The Company contributes to the Gratuity Fund, which is recognised by the Income Tax Authorities and administered through its trustees. The liability for the Gratuity, Pension, Leave Encashment and Long Term Service Award is determined on the basis of an independent actuarial valuation done at the year-end. The actuarial valuation method used for measuring the liability is the Projected Unit Credit method. The obligations are measured as the present value of estimated future cashflows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of the plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Profit and Loss Account in the year in which they arise.

Schedule 21 (Contd.)

vi) **Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

vii) **Revenue Recognition**

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts and sales tax.

viii) **Foreign Currency Transaction**

Foreign currency transactions are accounted at the exchange rate prevailing on the date of transactions. Gains or losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the Profit and Loss Account. In cases where they relate to acquisition of fixed assets, they are adjusted to the carrying cost of such assets. Premium or discount in respect of forward contracts is accounted over the period of the contract.

ix) **Research and Development**

Revenue expenditure on research and development is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

x) **Excise Duty**

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The material consumed is net of Central Value Added Tax (CENVAT) credits.

xi) **Voluntary Retirement Scheme (VRS)**

Compensation paid on voluntary retirement scheme is charged off in the year in which they are incurred.

xii) **Taxes on Income****Current Tax**

Current Tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred Taxation

Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

xiii) **Proposed Dividend**

Dividend Proposed by the Board of Directors is provided in the books of account pending approval at the Annual General Meeting.

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
2. Estimated Amount of outstanding Contracts / Capital Commitment	146.6	160.5
3. Contingent Liability :		
a. Demand dated June 5, 1984 the Government has asked for payment to the credit of the Drugs Prices Equalisation Account, the difference between the common sale price and the retention price on production of Vitamin 'A' Palmitate (Oily Form) from January 28, 1981 to March 31, 1985 not accepted by the Company. The Company has been legally advised that the demand is untenable.	6.1	6.1
b. Demand dated December 12, 2005 the District Controller has asked Boehringer Mannheim India Limited (since merged with Company) for payment in relation to a liability arising out of Drug Price Controller Order, 1979. The Company has filed a writ petition in the High Court of Mumbai against the demand. The Company is of the opinion that the demand is not legally tenable.	31.3	31.3
c. Appeals filed in respect of disputed demands:		
Income Tax		
– where the Company is in appeal	653.1	663.0
– where the Department is in appeal	1,815.4	1,218.4
Sales Tax	58.2	52.2
Central / State Excise	118.6	119.1
Labour Matters	34.0	33.7
Stamp Duty	40.5	40.5
Legal Cases	70.7	70.7
d. Guarantees issued to Government authorities and limited companies including guarantees issued on behalf of subsidiaries and performance guarantees.	13,664.3	8,598.8
e. Bills Discounted	66.0	572.3

Note : Future cash outflows in respect of (a), (b) & (c) above are determinable only on receipt of judgments / decisions pending with various forums / authorities.

Schedule 21 (Contd.)

4. An erstwhile Contractor had made a claim before arbitration panel for Rs.78.5 Million on Canere Actives and Fine Chemicals Private Limited (Canere) prior to its amalgamation for unsettled dues for erection and commissioning of a manufacturing facility during the year 1999-2000. Canere has filed a counter claim of Rs.382.6 Million on the Contractor for submitting inflated bills for work not done and for special and indirect damages caused due to negligence of the Contractor. The Arbitration panel has awarded partial claim in favour of Contractor resulting in total claim on Canere amounting to Rs. 62.3 Million (including interest). The Company has gone into the appeal against said order in Civil Court.
5. As per Section 117C of the Companies Act, 1956 the Company has created Debenture Redemption Reserve for Secured Redeemable Non Convertible Debentures issued during the previous year.
6. Provision for income tax has been made on the basis of Section 115JB of the Income Tax Act, 1961 (Minimum Alternate Tax).
7. Major components of Deferred Tax Asset and Liability arising are:

(Rs. in Million)

	As at March 31, 2010		As at March 31, 2009	
	Deferred Tax Asset	Deferred Liability	Deferred Tax Asset	Deferred Liability
On account of timing differences :				
– Depreciation	—	1,304.8	—	1,180.2
– VRS	1.0	—	0.7	—
– Provision for Doubtful Debts	153.7	—	153.7	—
– Others	101.6	—	56.1	—
TOTAL	256.3	1,304.8	210.5	1,180.2

8. Employee Benefits :

The disclosures required as per the revised AS-15 are as under :

Brief description of the Plans :

The Company has various schemes for long term benefits such as Provident Fund, Superannuation, Gratuity, Leave Encashment, Pension and Long Term Service Award. In case of funded schemes, the funds are recognised by the Income Tax Authorities and administered through trustees. The Company's defined contribution plans are Provident Fund, Superannuation, Employees' State Insurance Fund and Employees' Pension Scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952). The Company has no further obligation beyond making the contributions. The Company's defined benefit plans include Gratuity, Pension, Leave Encashment and Long Term Service Award. The Guidance on implementing Accounting Standard (AS - 15) (Revised 2005) "Employee Benefits" issued by Accounting Standards Board (ASB) states that provident funds set up by the employers which require the interest short fall to be met by the employers needs to be treated as defined benefit plan. However, as at the year end no shortfall remains unprovided for. As advised by an independent actuary, it is not practical or feasible to actuarially value the liability considering that the rate of interest as notified by the Government can vary annually. Further the pattern of investment for investible funds is as prescribed by the Government. Accordingly other related disclosures in respect of provident fund have not been made.

I. Charge to the Profit and Loss Account based on contributions :

(Rs. in Million)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Employer's contribution to Provident Fund	79.2	64.2
Employer's contribution to Superannuation Fund	14.6	11.1
Employer's contribution to Employees' State Insurance	5.4	11.3
Employer's contribution to Employees' Pension Scheme 1995	39.6	36.4

Included in contribution to Gratuity, Provident and Other Funds and Research and Development Expenses (Refer Sch. 16 & 17)

Schedule 21 (Contd.)

II. Disclosures for defined benefit plans based on actuarial reports as on March 31, 2010.

A. Change in Defined Benefit Obligation

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Defined Benefit Obligation as at beginning of the year	289.5	273.8	1.0	1.6	0.1	0.6	8.8	8.3
Interest Cost	22.0	21.9	0.1	0.1	—	—	0.7	0.7
Current Service Cost	24.9	33.2	0.1	0.1	—	—	0.3	0.2
Benefits Paid	(42.0)	(30.2)	—	—	(0.2)	(0.2)	(0.4)	(1.3)
Actuarial (gain) / loss	34.6	(9.2)	(0.5)	(0.8)	0.2	(0.3)	(1.1)	0.9
Present Value of Defined Benefit Obligation as at the end of the year	329.0	289.5	0.7	1.0	0.1	0.1	8.3	8.8

B. Changes in the Fair Value of Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Fair Value of Plan Asset as at beginning of the year	302.3	269.6	5.9	5.4	—	—	—	—
Expected Return on Plan Assets	23.3	24.4	0.5	0.4	—	—	—	—
Contributions by the employer	10.0	50.0	—	—	—	—	—	—
Benefits Paid	(42.0)	(30.2)	—	—	—	—	—	—
Actuarial gain / (loss)	3.0	(11.5)	(0.1)	0.1	—	—	—	—
Fair Value of Plan Asset as at the end of the year	296.6	302.3	6.3	5.9	—	—	—	—

C. Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Funded Obligation as at end of the year.	329.0	289.5	0.7	1.0	—	—	—	—
Fair Value of Plan Assets as at end of the year.	296.6	302.3	6.3	5.9	—	—	—	—
Funded Liability / (Asset) recognised in the Balance Sheet (Refer Sch. 13)	32.4	(12.8)	(5.6)	(4.9)	—	—	—	—
Present Value of Unfunded Obligation as at end of the year.	—	—	—	—	0.1	0.1	8.3	8.8
Unrecognised Actuarial gains / (losses)	—	—	—	—	—	—	—	—
Unfunded Liability recognised in the Balance Sheet (Refer Sch. 13)	—	—	—	—	0.1	0.1	8.3	8.8

Schedule 21 (Contd.)

D. Amount recognised in the Balance Sheet

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Defined Benefit Obligation as at the end of the year	329.0	289.5	0.7	1.0	0.1	0.1	8.3	8.8
Fair Value of Plan Assets as at end of the year	296.6	302.3	6.3	5.9	—	—	—	—
Net Liability / (Asset) recognised in the Balance Sheet (Refer Sch. 13)	32.4	(12.8)	(5.6)	(4.9)	0.1	0.1	8.3	8.8

E. Expenses recognised in Profit and Loss Account

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	For the Year Ended March 31,		For the Year Ended March 31,		For the Year Ended March 31,		For the Year Ended March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Current Service Cost	24.9	33.2	0.1	0.1	—	—	0.3	0.2
Past Service Cost	—	—	—	—	—	—	—	—
Interest Cost	22.0	21.9	0.1	0.1	—	—	0.7	0.7
Expected Return on Plan Assets	(23.3)	(24.4)	(0.5)	(0.4)	—	—	—	—
Curtailments Cost / (Credit)	—	—	—	—	—	—	—	—
Settlements Cost / (Credit)	—	—	—	—	—	—	—	—
Net Actuarial (gain) / loss	31.6	2.3	(0.4)	(0.9)	0.2	(0.3)	(1.1)	0.9
Total Expense / (Income) recognised in the Profit and Loss Account*	55.2	33.0	(0.7)	(1.1)	0.2	(0.3)	(0.1)	1.8

*Included in Salaries, Wages and Bonus, Contribution to Gratuity, Provident and Other Funds and Research and Development Expenses (Refer Sch. 16 & 17).

F. Actual Return on Plan Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Expected Return on Plan Assets	23.3	24.4	0.5	0.4	—	—	—	—
Actuarial gain / (loss) on Plan Assets	3.0	(11.5)	(0.1)	0.1	—	—	—	—
Actual Return on Plan Assets	26.3	12.9	0.4	0.5	—	—	—	—

G. Asset Information

(%)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Debt	69.6	69.8	100.0	100.0	—	—	—	—
Bank Deposit	29.5	29.6	—	—	—	—	—	—
Equity	0.9	0.6	—	—	—	—	—	—

Schedule 21 (Contd.)

H. Principal actuarial assumptions used :

(%)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount Rate (per annum)	8.0	7.5	8.0	7.5	8.0	7.5	8.0	7.5
Expected Rate of Return on Plan Assets (per annum)	8.0	8.0	8.0	8.0	—	—	—	—

I. Experience Adjustments :

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Defined Benefit Obligation	329.0	289.5	0.7	1.0	0.1	0.1	8.3	8.8
Plan Assets	296.6	302.3	6.3	5.9	—	—	—	—
Deficit / (Surplus)	32.4	(12.8)	(5.6)	(4.9)	0.1	0.1	8.3	8.8
Experience adjustment on plan liabilities loss / (gain)	32.1	(20.3)	—	—	—	—	—	—
Experience adjustment on plan assets gain / (loss)	3.0	(11.5)	(0.1)	0.1	—	—	—	—

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

J. Expected employer's contribution for the next year is Rs.28.3 Million (Previous Year Rs.36.7 Million) for Gratuity and Pension.

K. The liability for Leave Encashment (Non-Funded) as at year end is Rs.184.8 Million (Previous Year Rs.150.1 Million).

The expected rate of return on plan assets is based on market expectations at the beginning of the year. The rate of return on long-term Government bonds is taken as reference for this purpose.

There is no change in accounting estimates due to applicability of AS-15 (Revised) as the parameters considered in the FY 2009-10 are same as the one considered in FY 2008-09 apart from assumptions used for Principal Actuarial.

9. The Company is mainly engaged in pharmaceutical business (mainly consisting of manufacturing and sale of own and traded bulk drugs and formulations) which is considered the Primary reportable business segment as per Accounting Standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India. The Secondary Segments based on geographical segmentation are considered to be Businesses outside India and within India.

(Rs. in Million)

Details	Within India		Outside India		Inter – Segment		Total	
	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009
Revenues	22,952.4	17,669.2	3,826.2	5,777.8	—	—	26,778.6	23,447.0
Carrying amounts of Segment Assets	27,108.9	25,079.5	963.2	2,203.6	—	—	28,072.1	27,283.1
Additions to Fixed and Intangible Assets	1,687.7	3,150.4	—	—	—	—	1,687.7	3,150.4

10. Related Party Disclosures, as required by Accounting Standard (AS-18) – "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below:

A. Controlling Companies

- PHL Holdings Private Limited*
- The Swastik Safe Deposits & Investments Limited (Swastik Safe)
- Savoy Finance & Investment Private Limited*
- Nandini Piramal Investments Private Limited*
- The Ajay G. Piramal Foundation*

*There are no transactions during the year with the above Companies.

Schedule 21 (Contd.)

B. Subsidiary Companies

- PHL Fininvest Private Limited (PHL Fininvest)
- Piramal Diagnostic Services Private Limited [Piramal Diagnostic] (PDSL)
- Piramal Pharmaceuticals Development Services Private Limited (PPDSPL)
- Piramal International@
- Piramal Holdings (Switzerland) Limited (Piramal Holdings)
- NPIL Pharma Inc., USA*
- Piramal Healthcare Inc.
- Piramal Investment Holdings (Canada) Inc.*@
- Piramal Life Sciences (UK) Limited (formerly known as NPIL Life Sciences Ltd (UK))*@
- Piramal Healthcare UK Limited (Piramal Healthcare UK)*
- Piramal Healthcare Pension Trustees Limited*@
- Piramal Healthcare (France) Limited*@
- Piramal Healthcare (Canada) Limited (Piramal Healthcare, Canada)*
- NPIL Holdings (Netherlands) BV (upto October 30, 2009, consequent to divestment of shareholding)*@
- NPIL Cooperatief U.A. (upto October 30, 2009, consequent to divestment of shareholding)*@
- Tangent Data SRL. (upto October 30, 2009, consequent to divestment of shareholding)*@
- RxElite Holdings Inc. (upto December 31, 2009, from which date it merged with Piramal Critical Care Inc)#
- Minrad International Inc. (upto December 30, 2009, from which date it merged with Piramal Critical Care Inc)#
- Piramal Critical Care Inc (formerly known as Minrad Inc) (PCCI)#
- Minrad EU (France)#@

* Held through Piramal Holdings (Switzerland) Limited.

Held through Piramal Healthcare Inc.

@ There are no transactions during the year with the above Companies

C. Other related parties where common control exists

- Piramal Glass Limited (PGL)
- Piramal Life Sciences Limited (PLSL)
- Piramal Enterprises Limited (PEL)
- Alpex International Limited (Alpex)
- Allergan India Private Limited (Allergan)
- DDRC Piramal Diagnostic Services Private Limited (formerly DDRC Wellspring Pathlabs Private Limited)#@
- Arkray Piramal Medical Private Limited (Arkray)*

* Held through PHL Fininvest Private Limited.

Held through Piramal Diagnostic Services Private Limited

@ There are no transactions during the year with the above Companies

D. Investing parties with whom PHL is a JV Partner

- Allergan Inc.*
- ARKRAY Inc.*

* There are no transactions during the year with the above companies.

E. Key Management Personnel and their relatives

- Mr. Ajay G. Piramal
- Dr. Swati A. Piramal
- Mr. N. Santhanam
- Ms. Nandini Piramal
- Mr. Anand Piramal*
- Mr. Rajesh Laddha
- Mr. Sudarshan Jain
- Dr. Sangram Tambe (w.e.f. September 01, 2009)
- Mr. Gerhard Klemant (w.e.f. November 02, 2009)
- Dr. R. Ananthanarayanan (upto July 23, 2009)

* Relative of Mr. Ajay G. Piramal, Dr. Swati A. Piramal & Ms. Nandini Piramal

Schedule 21 (Contd.)

(Rs. in Million)

Details of Transactions	Subsidiaries		Controlling / Associates		Key Management Personnel		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Purchase of Goods								
– Piramal Healthcare UK	8.7	155.9	—	—	—	—	8.7	155.9
– PGL	—	—	214.7	215.4	—	—	214.7	215.4
– Allergan	—	—	48.6	44.4	—	—	48.6	44.4
– Others	—	—	1.4	1.4	—	—	1.4	1.4
TOTAL	8.7	155.9	264.7	261.2	—	—	273.4	417.1
Sale of Goods								
– Allergan	—	—	259.8	279.8	—	—	259.8	279.8
– PDSL	15.9	15.6	—	—	—	—	15.9	15.6
– Piramal Healthcare UK	68.7	81.5	—	—	—	—	68.7	81.5
– PLSL	—	—	88.4	22.8	—	—	88.4	22.8
– Piramal Healthcare Canada	17.4	1.0	—	—	—	—	17.4	1.0
– PCCI	45.1	—	—	—	—	—	45.1	—
– Others	0.5	—	—	7.3	—	—	0.5	7.3
TOTAL	147.6	98.1	348.2	309.9	—	—	495.8	408.0
Rendering of Services								
– Piramal Healthcare UK	16.9	6.3	—	—	—	—	16.9	6.3
– Piramal Healthcare Inc.	12.2	—	—	—	—	—	12.2	—
– Allergan	—	—	4.2	2.1	—	—	4.2	2.1
– Alpex	—	—	—	1.8	—	—	—	1.8
– PLSL	—	—	—	26.5	—	—	—	26.5
– Arkray	—	—	3.7	8.0	—	—	3.7	8.0
– Piramal Holdings	7.8	—	—	—	—	—	7.8	—
– Others	1.0	—	—	—	—	—	1.0	—
TOTAL	37.9	6.3	7.9	38.4	—	—	45.8	44.7
Receiving of Services								
– NPIL Pharma Inc	227.4	204.6	—	—	—	—	227.4	204.6
– Alpex	—	—	79.0	77.9	—	—	79.0	77.9
– PEL	—	—	100.0	76.8	—	—	100.0	76.8
– PPDSPL	60.0	—	—	—	—	—	60.0	—
– Others	0.8	1.9	—	—	—	—	0.8	1.9
TOTAL	288.2	206.5	179.0	154.7	—	—	467.2	361.2
Finance Granted (including Loans and Equity contribution in cash or in kind)								
– PHL Fininvest	13,665.9	13,238.5	—	—	—	—	13,665.9	13,238.5
– PDSL	2,171.6	1,926.8	—	—	—	—	2,171.6	1,926.8
– PLSL	—	—	707.5	776.9	—	—	707.5	776.9
– Piramal Healthcare Inc.	876.1	2,825.6	—	—	—	—	876.1	2,825.6
– Piramal Holdings	1,390.0	1,367.6	—	—	—	—	1,390.0	1,367.6
– PPDSPL	473.3	380.0	—	—	—	—	473.3	380.0
TOTAL	18,576.9	19,738.5	707.5	776.9	—	—	19,284.4	20,515.4

Schedule 21 (Contd.)

(Rs. in Million)

Details of Transactions	Subsidiaries		Controlling / Associates		Key Management Personnel		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Interest Received								
- PHL Fininvest	861.1	1,005.6	—	—	—	—	861.1	1,005.6
- PDSL	166.8	200.6	—	—	—	—	166.8	200.6
- PLSL	—	—	18.8	37.4	—	—	18.8	37.4
- Others	125.5	162.1	—	—	—	—	125.5	162.1
TOTAL	1,153.4	1,368.3	18.8	37.4	—	—	1,172.2	1,405.7
Remuneration								
- Mr. Ajay Piramal	—	—	—	—	68.7	61.3	68.7	61.3
- Dr. Swati A. Piramal	—	—	—	—	33.1	28.9	33.1	28.9
- Ms. Nandini Piramal	—	—	—	—	13.6	—	13.6	—
- Mr. N. Santhanam	—	—	—	—	21.3	18.6	21.3	18.6
- Mr. Rajesh Laddha (Net of Recoveries)	—	—	—	—	9.6	3.4	9.6	3.4
- Mr. Sudarshan Jain	—	—	—	—	13.6	3.9	13.6	3.9
- Mr. Praneet Singh	—	—	—	—	—	10.0	—	10.0
- Dr. Sangram Tambe	—	—	—	—	7.9	—	7.9	—
- Mr. Gerhard Klement	—	—	—	—	7.1	—	7.1	—
TOTAL	—	—	—	—	174.9	126.1	174.9	126.1
Purchase of Fixed Assets								
- Swastik Safe	—	—	156.0	—	—	—	156.0	—
TOTAL	—	—	156.0	—	—	—	156.0	—
Sale of Fixed Assets								
- PPDSP	1.9	—	—	—	—	—	1.9	—
TOTAL	1.9	—	—	—	—	—	1.9	—
Others - Payments								
- Swastik Safe	—	—	—	10.9	—	—	—	10.9
TOTAL	—	—	—	10.9	—	—	—	10.9
Others - Receipts								
- Allergan	—	—	—	3.2	—	—	—	3.2
TOTAL	—	—	—	3.2	—	—	—	3.2

Schedule 21 (Contd.)

(Rs. in Million)

Details of Transactions	Subsidiaries		Controlling / Associates		Key Management Personnel		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Receivable								
- PDSL	775.1	1,983.0	—	—	—	—	775.1	1,983.0
- PHL Fininvest	2,766.8	1,552.5	—	—	—	—	2,766.8	1,552.5
- Piramal Holdings	979.5	1,336.6	—	—	—	—	979.5	1,336.6
- PLSL	—	—	34.6	46.0	—	—	34.6	46.0
- Piramal Healthcare UK	87.7	6.7	—	—	—	—	87.7	6.7
- Allergan	—	—	—	1.8	—	—	—	1.8
- PPDSPL	369.8	394.5	—	—	—	—	369.8	394.5
- Piramal Healthcare Inc.	485.6	976.6	—	—	—	—	485.6	976.6
- Others	71.6	10.1	—	4.7	—	—	71.6	14.8
TOTAL	5,536.1	6,260.0	34.6	52.5	—	—	5,570.7	6,312.5
Payable								
- NPIL Pharma Inc	216.8	200.7	—	—	—	—	216.8	200.7
- PGL	—	—	26.9	9.7	—	—	26.9	9.7
- Allergan	—	—	20.8	—	—	—	20.8	—
- Swastik Safe	—	—	—	2.1	—	—	—	2.1
- Alpex	—	—	—	1.3	—	—	—	1.3
- Others	—	—	0.2	—	—	—	0.2	—
TOTAL	216.8	200.7	47.9	13.1	—	—	264.7	213.8

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
11. Managerial Remuneration		
A. To Chairman and Executive Directors		
a. Salaries	60.1	46.7
b. Commission [Rs.15.0 Million (Previous Year Rs.12.5 Million) included under Research and Development Expenses]	55.0	42.0
c. Contribution to Provident and Superannuation Fund	6.1	4.9
d. Other Perquisites	15.6	15.1
	<u>136.8</u>	<u>108.7</u>
B. To Other Directors – Commission	8.1	6.6
C. Director's Fees	1.6	1.2
Total Managerial Remuneration	<u>146.5</u>	<u>116.5</u>
D. Computation of Net Profit u/s 198 / 349 of the Companies Act, 1956		
Profit Before Tax and Exceptional Items	4,776.2	3,145.8
Less : Profit on Sale of Assets (Net)	—	71.9
	<u>4,776.2</u>	<u>3,073.9</u>
Add: Managerial Remuneration	146.5	116.5
Provision for Doubtful Debts	—	66.0
Loss on Sale of Assets (Net)	3.5	—
	<u>150.0</u>	<u>182.5</u>
Net Profit u/s 198 / 349 of the Companies Act, 1956	<u>4,926.2</u>	<u>3,256.4</u>
I) Commission to Chairman / Executive Directors restricted to	55.0	42.0
II) Commission to Non wholetime Directors @ 1% of Net Profit u/s 349, Rs.49.3 Million Restricted to	8.1	6.6

Schedule 21 (Contd.)

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
12. a. Value of imports calculated on CIF basis:		
i. Raw Materials	1,251.7	2,230.5
ii. Capital Goods	92.9	138.9
iii. Traded Goods / Reagents	319.9	234.6
b. Expenditure in Foreign Currency :		
i. Travelling	21.9	16.9
ii. Professional Fees	46.2	48.8
iii. Commission	32.6	39.9
iv. Subscription	7.9	15.1
v. Others	26.2	20.3
13. Earnings in Foreign Currency :		
i. Exports of Goods calculated on FOB basis	3,679.7	5,684.1
ii. Research Income	6.6	30.1
iii. Others	139.9	63.6
14. Miscellaneous Expenses includes Auditors' Remuneration in respect of :		
Statutory Auditors :		
a) Audit Fees	10.0	7.6
b) Certification Fees / Other Services	0.1	0.1
c) Reimbursement of Out of Pocket Expenses (Rs. 40,120/-)	—	0.1
15. Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:		
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	3.1	—
(ii) Interest due thereon	—	—
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year	—	—
(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	—	—
(c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms	—	—
(ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms	—	—
(d) (i) Total Interest accrued during the year	—	—
(ii) Total Interest accrued during the year and remaining unpaid	—	—
(e) Included in (d) above is Nil being interest on amounts outstanding as at the beginning of the accounting year	—	—

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

16. a) The Company has advanced interest-bearing loans to its subsidiary companies :
Amounts outstanding as at the year-end were:

(Rs. in Million)

Subsidiary Companies	As at March 31, 2010	As at March 31, 2009
Piramal Diagnostic Services Private Limited	751.3	1,926.9
Piramal Holdings (Switzerland) Limited	954.6	1,266.9
PHL Fininvest Private Limited	2,766.8	1,552.5
Piramal Healthcare Inc.	470.3	862.2
Piramal Pharmaceuticals Development Services Private Limited*	—	380.0

* Refer Note 16 (b)

Schedule 21 (Contd.)

The maximum amounts due during the year were:

(Rs. in Million)

Subsidiary Companies	As at March 31, 2010	As at March 31, 2009
PHL Fininvest Private Limited	13,665.9	13,238.5
Piramal Diagnostic Services Private Limited	2,171.6	1,926.8
Piramal Holdings (Switzerland) Limited	1,390.0	1,367.6
Piramal Healthcare Inc.	876.1	2,825.6
Piramal Pharmaceuticals Development Services Private Limited	—	380.0

b) During the year the Company has advanced interest free loans aggregating to Rs. 368.9 Million [maximum outstanding during the year Rs. 473.3 Million] to Piramal Pharmaceuticals Development Services Private Limited.

17. The Company's significant leasing arrangements are mainly in respect of residential / office premises, computers and motor vehicles. The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Other Expenses" in Schedule 18. These leasing arrangements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Company has placed a refundable deposit of Rs.231.7 Million (Previous Year Rs. 326.9 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of motor vehicles, office premises and computers on lease:

(Rs. in Million)

Payable	As at March 31, 2010	As at March 31, 2009
Not Later than one year	120.5	131.2
Later than one year but not later than five years	59.2	136.2
Later than five years	—	—

18. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
 19. There are no Derivative contracts outstanding as on March 31, 2010.
 20. Earning Per Share (EPS) – EPS is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share are as stated below:

	For the year ended March 31, 2010	For the year ended March 31, 2009
1. Profit after tax (Rs. in Million)	4,432.2	2,753.2
2. Weighted Number of Shares (Nos.)	209,013,144	209,013,144
3. EPS after exceptional items (Rs.)	21.2	13.2
4. Face value per share (Rs.)	2.0	2.0

21. The Company's intangible assets, other than Computer Software, comprise of Brands and Trademarks, Technical Know-how & Business IPR, Copyrights, License and US FDA / TGA Approvals acquired by the Company over the years. No internally generated intangible assets have been recognised in the books of accounts.

(Rs. in Million)

Nature of Assets	Brands and Know-how	Trademarks and Copyrights	Brands and Trademarks	Technical Know-how and Business IPR	License*	US FDA / TGA Approvals
Useful Life	15 Years	15 Years	10 Years	10 Years	NA	10 Years
Amortisation Method	SLM	SLM	SLM	SLM	NA	SLM
Gross Block as on April 01, 2009	1,269.2	—	1,877.8	450.6	283.5	194.1
Accumulated Amortisation as on April 01, 2009	81.2	—	1,152.3	190.2	—	110.3
WDV as on April 01, 2009	1,188.0	—	725.5	260.4	283.5	83.8
Additions during the year	101.0	1069.1	—	—	—	—
Retirement and Disposals (Net of Accumulated Ammortisation)	—	—	—	—	—	—
Amortisation for the year	84.7	11.7	184.6	45.0	—	19.4
WDV as on March 31, 2010	1,204.3	1,057.4	540.9	215.4	283.5	64.4
Capital Commitment as on March 31, 2010	—	—	—	—	—	—

*Includes amount incurred for acquiring License for Manufacturing Codeine facility. Since the project is at implementation stage, the cost is not amortised in the current year.

22. The Ministry of Corporate Affairs, through its notification dated March 31, 2009, has relaxed the provisions of Accounting Standard (AS – 11) - "The Effects of Changes in Foreign Exchange Rates" for treating the exchange gain / loss arising on restatement of long term foreign currency monetary items.

Schedule 21 (Contd.)

The Company has opted to follow the changes as per the above notification for its foreign currency long term loans.

The Company is following the said notification and accordingly has decapitalised exchange difference amounting to Rs. 192.1 Million on restatement of long term loans used for acquiring the fixed assets.

23. During the year, the following investments were made by the Company;
- 2,000,000 equity shares of Rs.10 each amounting to Rs. 20.0 Million were allotted in PHL Fininvest Private Limited, was disclosed under Loans and Advances as "Advance for Share Application Money" in the Previous Year.
 - 5,000,000 equity shares of Rs.10 each amounting to Rs. 50.0 Million in Piramal Pharmaceuticals Development Services Private Limited by converting advances into Equity Investments.
 - Rs.556.7 Million in Piramal Healthcare Inc. without issuance of additional number of equity shares by converting advances along with interest into Equity Investments, to be treated as an additional share premium.
24. Recoveries deducted from expenses are on account of sharing of common expenses with Subsidiaries and Group Companies.
25. Details of additions to fixed assets and Revenue Expenditure for Department of Scientific & Industrial Research approved research and development facilities / division of the Company for the year ended March 31, 2005 to March 31, 2010 are as follows;

(Rs. in Million)

Description	For the year ended March 31, 2005	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2008	For the year ended March 31, 2009	For the year ended March 31, 2010
Revenue Expenditure	329.0	446.5	592.2	154.6	286.0	271.4
Capital Expenditure						
Additions to fixed assets	558.1	275.5	199.7	78.3	206.2	41.9
Less: Sale proceeds of the assets and Transfer of the Assets	0.2	3.2	5.5	—	1.7	5.9
Net addition to fixed assets	557.9	272.3	194.2	78.3	204.5	36.0

Revenue Expenditure for the year ended March 31, 2009 and March 31, 2010 includes Research & Development Expenses included in Staff Cost Rs.11.4 Million and Rs.15.8 Million and Other Expenses Rs.14.4 Million and Rs.23.5 Million for the respective year.

26. Extracts of Assets and Liabilities as on March 31, 2010 and Income and Expenses for the year ended March 31, 2010 related to the interest of the Company (without elimination of the effect of transactions between the Company and Allergan India Private Limited) have been extracted from the audited accounts of Allergan India Private Limited.

(Rs. in Million)

PARTICULARS	Allergan India Private Limited
Assets	
Net Fixed Assets (including CWIP)	18.0
Investments	—
Deferred Tax Asset	8.1
Inventories	39.0
Sundry Debtors	42.4
Cash & Bank Balances	63.0
Other Current Assets	—
Loans and Advances	56.2
Liabilities	
Secured Loans	—
Unsecured Loans	—
Deferred Tax Liability	—
Current Liabilities	62.4
Provisions	2.4
Income	
Net Sales	544.0
Other Income	4.6
Expenses	
Materials	187.0
Staff Cost	68.5
Other Expenses	133.0
(Increase) / Decrease in WIP / Finished Goods	(11.3)
Interest (Net)	(3.3)
Depreciation	6.1
Provision for Taxation (including Deferred Tax)	60.4

Schedule 21 (Contd.)

27. Capacity, Production, Sales and Stocks

Class of Goods Manufactured : Pharmaceuticals, Bulk Drugs, Chemicals, Tools and Skin Care Products

Category	UOM	Installed Capacity	Opening Stock		Production Quantity (1, 2 & 4)	Purchases		Sales		Closing Stock	
			Quantity (3 & 4)	Value (Rs. in Million)		Quantity (4 & 7)	Value (Rs. in Million)	Quantity (6)	Value (Rs. in Million)	Quantity (3 & 4)	Value (Rs. in Million)
TRADED											
Creams & Powder	Kgs	—	73,690.5 (54,354.7)	86.4 (40.3)	—	647,999.3 (483,345.9)	836.9 (547.1)	593,936.0 (458,340.9)	1,756.8 (1,208.1)	100,216.1 (73,690.5)	97.8 (86.4)
Vials	Ltrs	—	44.4 (847.5)	25.3 (35.7)	—	212.7 (191.6)	139.8 (116.6)	204.3 (974.3)	185.2 (180.7)	48.6 (44.4)	22.2 (25.3)
Tablets & Capsules	Mios	—	199.8 (163.7)	248.0 (187.0)	—	2,040.0 (1,604.5)	2,883.0 (1,954.8)	1,992.3 (1,557.0)	5,436.7 (4,124.1)	231.4 (199.8)	514.9 (248.0)
Liquids, Drops & Solutions	KLs	—	605.0 (505.6)	87.2 (97.6)	—	4,503.8 (3,493.6)	900.8 (609.0)	4,453.3 (3,376.4)	1,659.5 (1,158.9)	650.2 (605.0)	148.0 (87.2)
Others		—	—	86.2 (91.6)	—	—	375.7 (278.5)	—	794.8 (565.5)	—	59.1 (86.2)
MANUFACTURED											
Tablets	Mios	12,745.0 (12,745.0)	356.9 (352.9)	154.1 (126.8)	5,542.3 (5,177.3)	—	—	5,596.9 (5,144.0)	6,271.2 (5,780.1)	285.0 (356.9)	106.5 (154.1)
Capsules	Mios	580.0 (580.0)	14.6 (20.5)	11.7 (34.3)	338.6 (330.7)	—	—	331.6 (334.6)	688.3 (629.4)	17.1 (14.6)	17.1 (11.7)
Liquids	KLs	24,041.7 (24,041.7)	434.4 (1,043.6)	103.9 (163.1)	12,159.7 (9,274.8)	—	—	11,862.4 (9,792.4)	4,645.1 (3,567.9)	417.9 (434.4)	95.2 (103.9)
Powders, Creams & Ointments	MTs	—	9.0 (9.8)	20.0 (13.5)	60.9 (77.4)	—	—	61.1 (75.7)	237.7 (301.5)	5.7 (9.0)	10.5 (20.0)
Bulk Drugs & Intermediates (2)	MTs	2,135.3 (2,087.3)	132.6 (43.0)	163.0 (39.9)	1,128.4 (1,173.1)	—	—	924.6 (1,024.5)	2,635.9 (4,706.6)	224.1 (132.6)	161.8 (163.0)
Vitamin A in various Forms & Combinations (2)	mmu	276.0 (276.0)	8.2 (12.1)	27.7 (42.0)	260.7 (160.8)	—	—	111.1 (164.7)	473.5 (668.7)	7.4 (8.2)	32.7 (27.7)
Others		—	—	1.0 (43.6)	—	—	—	—	1,724.7 (271.1)	—	10.0 (1.0)
GRAND TOTAL		—	—	1,014.5 (915.4)	—	—	5,136.2 (3,506.0)	—	26,509.4 (23,162.6)	—	1,275.8 (1,014.5)

Notes :

- Includes products processed by third parties.
- Includes production for captive consumption of Bulk Drugs 91850 kgs (PY 239650 kgs) & Vitamins 138.33 mmu (PY 80.34 mmu).
- Stocks are net of breakages & unsaleable stock.
- Opening stocks, production, purchases & closing stocks are net of physician samples.
- Licensed Capacity is not indicated as Industrial Licensing for all Bulk Drugs, Intermediates and their Formulations stands abolished in terms of Press Note No.4 (1994 series) dated 25th October, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.
- Excludes free samples issued.
- Variation in quantity / value is on account of change in product mix.
- In terms of Press Note No. 4 (1994 Series) dated October 25, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India, and Notification No. S.O 137 (E) dated March 1, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, industrial licensing has been abolished in respect of Bulk Drugs and Formulations.
- The Pharmaceuticals business comprises of Manufacturing and Trading of Bulk Drugs and Formulations.
- Installed capacities of the formulation factories of the Company (except where continuous processes are involved) are on a triple shift basis are certified by the Management and have not been verified by the Auditors, this being a technical matter.

Schedule 21 (Contd.)

MATERIAL CONSUMED

	UOM	QUANTITY YEAR ENDED		Rs. in Million YEAR ENDED			
		31.03.10	31.03.09	31.03.10		31.03.09	
Codeine Phosphate	Kgs	10,657.0	8,796.0	359.1		297.3	
Lactulose Concentrate USP	Kgs	997,500.0	950,947.8	162.8		147.6	
Catalase Powder Non-Animal	Kgs	180.0	181.9	104.9		75.9	
Para Anisaldehyde	Kgs	370,259.0	286,269.8	103.2		109.2	
Others				5,378.5		5,415.4	
TOTAL				6,108.5		6,045.4	
Whereof :					%		%
Imported at Landed Cost				1,713.1	28.0	1,913.7	31.7
Indigenous				4,395.4	72.0	4,131.7	68.3
TOTAL				6,108.5		6,045.4	

Notes:

- Components and Spare referred to in Para 4D (c) of Schedule VI of the Companies Act, 1956 are assumed to be those incorporated in goods produced and not those used for maintenance of Plant & Machinery.
 - The Consumption figures are ascertained on the basis of Opening Stock plus Purchases less Closing Stock and are therefore after adjustment of excesses and shortages ascertained in physical count, unserviceable items etc.
28. Post Balance Sheet date the Company has signed a definitive agreement to acquire injectable anesthetic products business including - Propofol, Bupivacaine and Atracurium Besylate from Bharat Serums and Vaccines Limited.
29. The figures for the year ended March 31, 2009 have been regrouped, wherever necessary.

Signatures to Schedules 1 to 21 which form an integral part of the Financial Statements

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh

Partner
Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar
N Vaghul
Nandini Piramal
N Santhanam
Rajesh Laddha
Leonard D'Souza

Director
Director
Executive Director
Executive Director & Chief Operating Officer
Chief Financial Officer
Company Secretary

Additional Information pursuant to Part IV of Schedule VI to the Act

Balance Sheet Abstract And Company's General Business Profile

I Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II Capital raised during the year (Amount in Rs. Thousands)
 Public Issue Rights Issue
 Bonus Issue Private Placement

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities including Shareholders' Fund	<input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/>	Total Assets	<input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/>
Sources of Funds		Reserves & Surplus	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="1"/>
Paid up Capital	<input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="6"/>	Unsecured Loans	<input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="6"/>
Secured Loans	<input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/>	Investments	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="9"/>
Application of Funds		Miscellaneous Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Net Fixed Assets	<input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="0"/>		
Net Current Assets	<input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/>		
Accumulated Losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

IV Performance of Company (Amount in Rs. Thousands)

Turnover	<input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="5"/>	Total Expenditure	<input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="3"/>
+ – Profit / Loss Before Tax and exceptional items	<input type="text" value="+"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="2"/>	+ – Profit / Loss After Tax	<input type="text" value="+"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/>
Earnings Per Share in Rs. (Profit for the year / Paid up Equity)	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="2"/> <input type="text" value="0"/>	Dividend Rate %	<input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="0"/>

V Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No.
 Product Description
 Item Code No.
 Product Description
 Item Code No.
 Product Description

Statement Pursuant to Approval u/s 212 (8) of the Companies Act, 1956

(Rs. in Million)

Name of the Subsidiary Company	Piramal Diagnostic Services Private Limited	PHL Fininvest Private Limited	Piramal International	Piramal Pharmaceuticals Development Services Private Limited	Piramal Holdings (Suisse) SA
Financial Year ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.12.2009*
1 Capital	39.58	22.26	36.79	67.50	466.62
2 Reserves	(146.15)	(16.14)	(36.79)	(9.35)	(79.32)
3 Total Assets	2,436.72	2,784.00	—	443.39	3,769.67
4 Total Liabilities	2,543.29	2,777.87	—	385.24	3,382.37
5 Details of Investment					
– 250,000 Equity Shares of DDRC Piramal Diagnostic Services Private Limited	70.00	—	—	—	—
– 2,021,395 Equity Shares of Piramal Glass Limited	—	51.66	—	—	—
– Non Convertible Debentures of Edelwise Capital Private Limited	—	5.15	—	—	—
– 4,900,000 Equity Shares of Arkray Piramal Medical Private Limited	—	49.07	—	—	—
6 Turnover	1,946.97	864.42	0.08	93.32	975.95
7 Profit / (Loss) before taxation	(50.14)	3.03	—	(3.56)	(22.90)
8 Provision for taxation	3.15	2.70	—	—	3.04
9 Profit after taxation	(53.30)	0.33	—	(3.56)	(25.94)
10 Proposed / Interim Dividend	—	—	—	—	—
Exchange Rate Used	—	—	44.90	—	42.42
Local Currency	INR	INR	USD	INR	CHF
Name of the Subsidiary Company	Piramal Life Sciences Limited	NPIL Pharma Inc.	Piramal Healthcare UK Limited	Piramal Healthcare (France) Limited	Piramal Healthcare Pension Trustees Limited
Financial Year ended on	31.03.2010	31.03.2010	31.12.2009*	31.12.2009*	31.12.2009*
1 Capital	658.56	4.49	1,212.33	—	—
2 Reserves	(5.46)	(62.65)	(0.01)	—	—
3 Total Assets	795.79	537.77	3,675.79	—	—
4 Total Liabilities	142.69	595.92	2,463.46	—	—
5 Details of Investment					
– 2,500 Equity Shares of Reaxa Limited, UK	—	—	—	—	—
6 Turnover	—	226.61	4,395.48	8.66	—
7 Profit / (Loss) before taxation	(1.89)	(28.64)	(240.98)	—	—
8 Provision for taxation	—	(14.89)	(197.83)	—	—
9 Profit after taxation	(1.89)	(13.74)	(43.15)	—	—
10 Proposed / Interim Dividend	—	—	—	—	—
Exchange Rate Used	68.60	44.90	68.60	68.60	68.60
Local Currency	GBP	USD	GBP	GBP	GBP

Statement Pursuant to Approval u/s 212 (8) of the Companies Act, 1956 (Contd.)

(Rs. in Million)

Name of the Subsidiary Company	Piramal Healthcare (Canada) Limited 30.11.2009*	Piramal Investments Holding (Canada) Inc. 30.11.2009*	Piramal Healthcare Inc. 31.12.2009*	Piramal Critical Care Inc. 31.12.2009*	Minrad EU. 31.12.2009*
1 Capital	399.93	CAD 10	533.90	23.73	2.24
2 Reserves	459.66	(128.82)	(434.47)	(1,285.07)	(54.30)
3 Total Assets	1,743.60	1,199.76	3,335.08	2,525.62	2.63
4 Total Liabilities	884.01	1,328.58	3,235.65	3,786.96	54.69
5 Details of Investment	—	—	—	—	—
6 Turnover	950.87	—	169.61	1,260.48	—
7 Profit / (Loss) before taxation	9.07	(42.13)	(434.31)	(389.82)	(2.59)
8 Provision for taxation	(0.17)	—	(0.16)	—	—
9 Profit after taxation	9.24	(42.13)	(434.14)	(389.82)	(2.59)
10 Proposed / Interim Dividend	—	—	—	—	—
Exchange Rate Used	44.28	44.28	44.90	44.90	60.53
Local Currency	CAD	CAD	USD	USD	EUR

* For the purposes of the consolidated financial statements included in this annual report, the accounts of the company have been rolled forward to March 31, 2010. The details provided herein, however, are based on the statutory financial year.

Auditor's Report on the Consolidated Financial Statements of Piramal Healthcare Limited

The Board of Directors of Piramal Healthcare Limited

1. We have audited the attached consolidated balance sheet of Piramal Healthcare Limited (the "Company") and its subsidiaries and its jointly controlled entities; hereinafter referred to as the "Group" (refer Note [1(ii)(b)] on Schedule [22] to the attached consolidated financial statements) as at March 31, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of 15 subsidiaries and 3 jointly controlled entities included in the consolidated financial statements, which constitute total assets of Rs.17,199.8 million and net assets of Rs.7,880.6 million as at March 31, 2010, total revenue of Rs.10,543.5 million, net profit of Rs.479.0 million and net cash flows amounting to Rs.362.7 million for the year then ended. These financial statements and other financial information have been audited by other auditors / certified by the management whose reports / returns have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors / management returns.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditor(s) on separate financial statements and on the other financial information of the component(s) of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Izmir
Dated: May 7, 2010

Partha Ghosh
Partner
Membership Number F-55913

Balance Sheet as at March 31, 2010

	Schedule No.	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	418.0	418.0
Reserves & Surplus	2	16,430.9	12,752.7
		16,848.9	13,170.7
Minority Interest			
Capital		1.0	2.2
Reserves & Surplus		(1.0)	72.3
		—	74.5
Loan Funds			
Secured Loans	3	5,753.6	4,516.6
Unsecured Loans	4	7,196.0	8,874.2
		12,949.6	13,390.8
Deferred Tax Liability (Refer note 12, Sch. 22)		1,418.2	1,274.5
	TOTAL	31,216.7	27,910.5
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	27,536.8	26,059.0
Less : Depreciation		7,763.3	6,594.6
Net Block		19,773.5	19,464.4
Capital Work-In-Progress		1,356.6	926.5
		21,130.1	20,390.9
Investments	6	325.5	278.3
Deferred Tax Asset (Refer note 12, Sch. 22)		850.4	549.0
Current Assets, Loans and Advances			
Inventories	7	4,694.5	4,833.6
Sundry Debtors	8	4,529.5	4,866.3
Cash and Bank Balances	9	411.8	945.5
Other Current Assets	10	78.6	100.2
Loans and Advances	11	6,506.7	4,162.0
		16,221.1	14,907.6
Less: Current Liabilities and Provisions			
Current Liabilities	12	5,744.5	6,306.7
Provisions	13	1,565.9	1,908.6
		7,310.4	8,215.3
Net Current Assets		8,910.7	6,692.3
	TOTAL	31,216.7	27,910.5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	22		

Schedules referred to above and notes attached thereto form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh

Partner
Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar Director
N Vaghul Director
Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Profit and Loss Account for the Year Ended March 31, 2010

	Schedule No.	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
INCOME			
Sales and Services		36,813.0	33,116.1
Less : Excise Duty		568.3	668.0
Net Sales		36,244.7	32,448.1
Other Income	14	607.5	436.7
		36,852.2	32,884.8
EXPENDITURE			
Materials	15	14,222.1	12,791.7
Staff Cost	16	5,853.1	5,009.6
Research and Development Expenses	17	701.5	848.8
Other Expenses	18	8,915.8	8,773.7
(Increase) / Decrease in WIP / Finished Goods	19	(250.0)	(426.3)
		29,442.5	26,997.5
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			
		7,409.7	5,887.3
Less : Interest (Net)	20	916.4	838.0
PROFIT BEFORE DEPRECIATION AND TAX			
		6,493.3	5,049.3
Less : Depreciation		1,426.5	1,195.7
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			
		5,066.8	3,853.6
Less : Exceptional Items	21	69.1	446.1
PROFIT BEFORE TAX			
		4,997.7	3,407.5
Less : Provision for Taxation - Current		910.8	451.7
[Includes prior period tax Rs.6.4 Million (Previous Year Rs.8.4 Million) and Wealth Tax provision Rs.Nil (Previous Year Rs.1.0 Million)] (Refer note 10, Sch. 22)			
Less : MAT Credit Entitlement		(572.8)	(320.4)
Less : Deferred Tax (Net) (Refer note 12, Sch. 22)		(157.7)	(171.2)
Less : Fringe Benefits Tax [Includes prior period tax Rs.Nil (Previous Year Rs.127.1 Million)]		—	259.3
		180.3	219.4
PROFIT BEFORE MINORITY INTEREST			
		4,817.4	3,188.1
Minority Interest (Refer note 24, Sch. 22)		(1.6)	25.6
CONSOLIDATED PROFIT AFTER MINORITY INTEREST			
		4,819.0	3,162.5
Balance Profit Brought Forward		3,893.5	3,666.8
NET PROFIT AVAILABLE FOR APPROPRIATION			
		8,712.5	6,829.3
Proposed Dividend on Equity Shares		1,128.6	877.9
Distribution Tax Thereon		187.5	149.2
Transfer to General Reserve		1,393.3	1,401.1
Transfer to Debenture Redemption Reserve		325.0	325.0
		3,034.4	2,753.2
BALANCE CARRIED TO BALANCE SHEET			
		5,678.1	4,076.1
Earnings Per Share (Basic / Diluted) (Rs.) (Face Value of Rs.2/- each) (Refer note 18, Sch.22)		23.1	15.1
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	22		

Schedules referred to above and notes attached thereto form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh

Partner
Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director

Mumbai, May 07, 2010

Deepak Satwalekar Director
N Vaghul Director
Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Director
Director
Executive Director
Executive Director & Chief Operating Officer
Chief Financial Officer
Company Secretary

Cash Flow Statement for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	4,997.7	3,407.5
Adjustments for:		
Depreciation	1,426.5	1,195.7
Interest Expense	1,838.1	1,984.0
Interest Income	(921.7)	(1,146.0)
Dividend on Investments	—	(0.7)
(Profit) / Loss on Sale of Fixed Assets (Net)	12.2	(68.9)
Advances Written Off	0.4	—
Loss on Impairment of Goodwill (Refer note 22, Sch. 22)	17.8	—
Loss on Sale of Subsidiary (Net) (Refer note 5, Sch. 22)	157.7	—
Provision for Slow Moving Inventories written back	90.0	(50.0)
Bad Debts Written off	9.6	—
Provision for Doubtful Debts	6.9	92.4
Provision for Doubtful Debts / (written back)	(273.6)	(22.7)
Provision no Longer Required, written back	(3.5)	(125.0)
Provision for Doubtful Advances	1.4	1.6
Provision for Diminution in Value of Investments	—	29.0
Unrealised Foreign Exchange (Gain) / Loss	361.9	147.5
Exceptional Items	69.1	446.1
Operating Profit Before Working Capital Changes	7,790.5	5,890.5
Adjustments For Changes In Working Capital :		
– DECREASE / (INCREASE) in Sundry Debtors	382.0	(189.5)
– (INCREASE) in Other Receivables	(1,687.9)	(1,184.4)
– DECREASE / (INCREASE) in Inventories	49.1	(369.5)
– (DECREASE) / INCREASE in Current Liabilities and Provisions	(1,058.8)	890.3
Cash Generated From Operations	5,474.9	5,037.4
– Taxes Paid (Net of Refunds)	(1,076.6)	(863.6)
Net Cash Before Exceptional Items	4,398.3	4,173.8
– Exceptional Items	(69.1)	(446.1)
Net Cash From Operating Activities (A)	4,329.2	3,727.7
B. CASH FLOW FROM INVESTING ACTIVITIES		
Adjustments For Changes In :		
Purchase of Fixed Assets	(2,438.5)	(4,707.9)
Capital Work in Progress	(430.1)	(16.1)
Proceeds from Sale of Fixed Assets	252.0	287.2
Purchase of Investments	(47.2)	(5.1)
Proceeds from Sale of Investments	—	350.3
Interest Received	943.3	1,189.5
Dividend on Investments	—	0.7
Amount Received on sale of subsidiary (Refer note 5, Sch. 22)	145.9	(869.8)
Net Cash (Used in) Investing Activities (B)	(1,574.6)	(3,771.2)

Cash Flow Statement for the Year Ended March 31, 2010 (Contd.)

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation Loss of Rs.130.1 Million (Previous Year Loss Rs.91.1 Million) on reinstatement of Foreign Currency Loan]	2,315.2	5,534.2
Payments	—	(3,285.1)
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation Loss of Rs.Nil (Previous Year Loss Rs.48.0 Million) on reinstatement of Foreign Currency Loan]	150,698.0	146,680.0
Payments	(152,553.6)	(145,829.1)
Proceeds from Cash Credits		
Receipts [Excludes Exchange Fluctuation Gain of Rs.27.5 Million (Previous Year Loss Rs.107.5 Million) on reinstatement of Foreign Currency Loan]	2,347.4	4,079.9
Payments	(3,102.5)	(4,324.4)
Interest Paid	(1,813.1)	(1,925.9)
Dividend Paid	(877.9)	(877.9)
Dividend Tax Paid	(149.2)	(149.2)
Net Cash (Used in) Financing Activities (C)	(3,135.7)	(97.5)
Net (Decrease) in Cash & Cash Equivalents (A) + (B) + (C)	(381.1)	(141.0)
Cash and Cash Equivalents as at 31.03.2009	945.5	551.0
Cash and Cash Equivalents transferred pursuant to Sale of Subsidiary	(152.6)	—
Cash and Cash Equivalents acquired pursuant to acquisition	—	535.5
Cash and Cash Equivalents as at 31.03.2010	411.8	945.5
Cash and Cash Equivalents Comprise of :		
Cash and Cheques on hand	8.4	12.5
Balance with Scheduled Banks	403.4	933.0
	411.8	945.5

Notes :

- The above Consolidated Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard (AS - 3) issued by the Institute of Chartered Accountants of India.
- Cash and Cash Equivalents includes Rs.30.6 Million which are not available for use by the Company. (Refer Sch. 9 in the accounts)
- Figures in bracket indicate cash outflow.
- The above Cash Flow Statement does not include assets (other than Cash and Cash Equivalents) / liabilities transferred on sale of Tangent Data SRL, Romania, NPIL Coopertuif U.A., Netherlands and NPIL Holdings (Netherlands) B.V. on October 30, 2009. (Refer note 5, Sch. 22)
- Previous Year figures have been regrouped and recasted wherever necessary to confirm to current year's classification.

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh
Partner

Membership No. F-55913

Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
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Leonard D'Souza Company Secretary

Director
Director
Executive Director
Executive Director & Chief Operating Officer
Chief Financial Officer
Company Secretary

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
1. SHARE CAPITAL		
AUTHORISED		
25,00,00,000 (25,00,00,000) Equity Shares of Rs.2/- each	500.0	500.0
30,00,00,000 (30,00,00,000) Preference Shares of Rs.100/- each	300.0	300.0
2,40,00,000 (2,40,00,000) Preference Shares of Rs.10/- each	240.0	240.0
10,50,00,000 (10,50,00,000) Unclassified Shares of Rs.2/- each	210.0	210.0
	<u>1,250.0</u>	<u>1,250.0</u>
ISSUED & SUBSCRIBED		
20,90,13,144 (20,90,13,144) Equity Shares of Rs.2/- each	418.0	418.0
TOTAL	<u>418.0</u>	<u>418.0</u>

Note :

Of the above :

- 3,90,85,590 Equivalent Equity Shares of Rs.2/- each were allotted as fully paid bonus shares by capitalisation of Share Premium / General Reserve.
- 82,50,000 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
- 88,67,010 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
- 51,97,050 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
- 3,75,25,020 Equivalent Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Piramal Healthcare Limited (PHL) as per the scheme of arrangement.
- The erstwhile Piramal Healthcare Limited shareholders held 9,62,180 warrants with a right to convert into 75 Equivalent Equity Shares of the Company for every two warrants held on payment of Rs. 10/- in Cash per Equity Share. Out of this 9,52,644 warrants were converted into 3,57,24,155 shares resulting in the Issued and Subscribed Capital increasing by Rs.71.4 Million. The remaining 9,536 warrants were cancelled.
- 1,57,50,000 Equivalent Equity Shares of Rs.2/- each were allotted to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.
- The Company's Right Issue Offer of 1,90,01,601 Equity Shares of Rs.2/- each for Rs.175/- each (including a Share Premium of Rs.173/- each) for cash aggregating to Rs.3,325.3 Million opened for subscription on August 01, 2005 and closed on August 30, 2005. The offer was oversubscribed 1.2 times. Pursuant to the same, 1,89,97,128 Equity Shares of Rs.2/- each fully paid up were allotted on September 25, 2005 and 11 Equity Shares of Rs.2/- each fully paid were allotted on July 16, 2007. Allotment of the balance 4,462 Equity Shares of Rs.2/- each has been kept in abeyance pending receipt of necessary documentation for establishing title to these Shares.

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
2. RESERVES AND SURPLUS		
CAPITAL SUBSIDY	4.0	4.0
CAPITAL RESERVE	390.3	390.3
CAPITAL REDEMPTION RESERVE ACCOUNT	533.7	533.7
SHARE PREMIUM ACCOUNT	1,433.3	1,433.3
GENERAL RESERVE		
As per last Balance Sheet	5,806.0	4,413.0
Add : Transferred from Profit and Loss Account	1,393.3	1,401.1
Less : Transferred to Fixed Assets	—	0.6
Less : Transferred to Profit and Loss Account	—	7.5
Less : Share of current losses of Minority in Subsidiary (Refer note 24, Sch. 22)	1.2	—
	<u>7,198.1</u>	<u>5,806.0</u>
RESERVE FUND U/S 45-IC(1) OF RBI ACT 1934	1.4	1.4
EXCHANGE RESERVE	487.8	104.5
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT		
As per last Balance Sheet	261.0	—
Add : Transferred from Profit and Loss Account	—	190.1
Add : Created during the year (Refer note 25, Sch. 22)	24.1	255.2
Less : Ammortised for the year (Refer note 25, Sch. 22)	<u>230.9</u>	<u>184.3</u>
	54.2	261.0
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	325.0	—
Add : Transferred from Profit and Loss Account (Refer note 23, Sch. 22)	<u>325.0</u>	<u>325.0</u>
	650.0	325.0
PROFIT & LOSS ACCOUNT		
As per Annexed Profit and Loss Account	5,678.1	4,076.1
Less : Transferred to Foreign Currency Monetary Item Translation Difference Account	—	190.1
Add : Transferred from General Reserve	<u>—</u>	<u>7.5</u>
	5,678.1	3,893.5
TOTAL	<u>16,430.9</u>	<u>12,752.7</u>

Schedules forming part of the Balance Sheet as at March 31, 2010

		As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
3. SECURED LOANS	Note		
Cash Credit / Overdraft from Banks (Includes Packing Credit Loans)	1	739.7	980.3
Debtentures			
– 12.75% - Secured Redeemable Non Convertible Debtentures (Redeemable at par at the end of 3rd year from the date of allotment - November 26, 2008) (Put / Call option available and exercisable at par at the end of 2nd year from the date of allotment i.e. November 26, 2010)	2	2,000.0	2,000.0
– 12.10% - Secured Redeemable Non Convertible Debtentures (Redeemable at par at the end of 5th year from the date of allotment - December 15, 2008)	2	1,500.0	1,500.0
– Secured Redeemable Non Convertible Debtentures (Redeemable at par in April 2011)	2	1,000.0	—
Term Loan From Banks	3	480.0	—
Finance Leases	4	0.1	2.5
3,375,000 Zero Coupon Redeemable Preference Shares of Rs.10/- each of DDRC Piramal Diagnostic Services Private Limited (JV of subsidiary Piramal Diagnostic Services Private Limited) allotted as fully paid-up pursuant to Memorandum of Succession for consideration other than cash.		33.8	33.8
TOTAL		5,753.6	4,516.6

Notes on Secured Loans

1. a. Cash Credit facilities including Packing Credit in Foreign Currency (PCFC) are secured by hypothecation of stocks and book debts.
- b. Overdraft facility of Rs. Nil (CAD Nil) [Previous Year Rs. 0.2 Million (CAD 0.0 Million)] availed from TD Bank is secured by charge over all assets and undertaking both; present and future of Piramal Healthcare (Canada) Limited.
- c. Overdraft facility of Rs.174.4 Million (GBP 2.3 Million) [Previous Year Rs.Nil (GBP Nil)] from HSBC Bank Plc is secured by a First Equitable charge over all present and future freehold and leasehold property; Fixed charge over, among other things, book and other debts, chattels, goodwill and uncalled capital, both present and future of Piramal Healthcare (UK) Limited.
2. a. The 12.75% and 12.10% Non - Convertible Debtentures are secured on the movable properties of the Company (excluding working capital goods) and on the immovable properties of the Company situated at Gujarat, Baddi, Mahad, Pithampur, Digwal and Bangalore.
- b. The Secured Non-Convertible Debtentures are secured by a charge on existing and future fixed assets of Piramal Diagnostic Services Private Limited.
3. Term Loan of Rs.480.0 Million (Previous Year Rs. Nil) is secured by a charge on existing and future fixed assets of Piramal Diagnostic Services Private Limited.
4. Finance lease is secured by the relevant assets acquired under lease.
5. Satisfactions of charges in respect of certain old loans are still awaited.

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
4. UNSECURED LOANS		
Fixed Deposits (Previous Year Rs.5000.0)	—	—
Banks and Others [Payable within a year Rs.2,963.2 Million (Previous Year Rs.3,463.8 Million)]	7,184.9	8,861.7
Loan from Other Companies	11.1	12.5
TOTAL	7,196.0	8,874.2

Schedules forming part of the Balance Sheet as at March 31, 2010

5. FIXED ASSETS

(Rs. in Million)

Particulars	COST			DEPRECIATION / AMORTISATION			NET BLOCK			
	Opening As at 01.04.2009	Acquisition Additions/ Adjustments	Deductions/ Adjustments @	As at 31.03.2010 (A)	Opening As at 01.04.2009	Acquisition For the Year	Deductions / Adjustments @	As at 31.03.2010 (A+B)	As at 31.03.2009	
Intangible Assets										
Brands / Know-how / Licences / Trademarks / Intellectual Property Rights / Goodwill*	9,455.2	—	1,210.5	255.1	10,410.6	—	441.0	3.6	8,170.1	7,652.1
Computer Software	367.3	—	102.1	0.3	469.1	—	56.4	0.3	232.0	186.3
Tangible Assets										
Land Leasehold	72.2	—	—	0.3	71.9	—	0.8	—	67.2	68.3
Land Freehold	1,148.2	—	1.1	—	1,149.3	—	0.7	—	1,145.3	1,144.9
Building	2,460.8	—	117.9	22.4	2,556.3	—	100.7	6.2	2,000.3	1,999.3
Plant & Machinery\$	11,875.8	—	938.6	641.9	12,172.5	—	758.6	228.5	7,723.5	7,956.9
Furniture & fixtures & Office Equipment	615.0	—	59.8	28.9	645.9	—	61.8	12.1	397.4	416.2
Motor Vehicle / Transport	64.5	—	8.5	11.8	61.2	—	6.5	7.1	37.7	40.4
Grand Total	26,059.0	—	2,438.5	960.7	27,536.8	—	1,426.5	257.8	19,773.5	19,464.4
Previous Year	16,987.4	4,282.0	5,053.6	264.0	26,059.0	461.7	1,195.7	45.7	1,356.6	926.5
Capital Work-In-Progress (including Capital Advances)									<u>21,130.1</u>	<u>20,390.9</u>

Refer note 1 (iii) (a) and (h) and 11, Sch. 22

* The Brands are in the process of being registered in the name of the Company, for which the necessary application has been made with trade mark registry.

@ Refer note 5 & 22, Sch. 22

\$ Refer note 25, Sch. 22

Schedules forming part of the Balance Sheet as at March 31, 2010

6. INVESTMENTS (Long Term, Non Trade)

	Nos. as at March 31, 2010	Nos. as at March 31, 2009	Face Value Rupees	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
A) Unquoted					
Reaxa Limited, U.K.	2500	2500	0.10 GBP	29.0	29.0
Non-Convertible Debentures of Edelweiss Capital Private Limited.	515000	515000	10.00	5.1	5.1
B) Quoted					
Piramal Glass Limited	2021395	449199	10.00	51.7	4.5
BioSyntech Inc., Canada	7500000	7500000	0.001 CAD	223.2	223.2
Piramal Life Sciences Limited	4550000	4550000	10.00	45.5	45.5
TOTAL				<u>354.5</u>	<u>307.3</u>
Less : Provision for Diminution in Value of Investment				29.0	29.0
TOTAL				<u>325.5</u>	<u>278.3</u>

	Cost Rs. in Million	As at March 31, 2010 Market Value Rs. in Million	Cost Rs. in Million	As at March 31, 2009 Market Value Rs. in Million
1. Aggregate value of quoted investments	320.4	801.3	273.2	249.5
2. Aggregate value of unquoted investments	5.1		5.1	
TOTAL	<u>325.5</u>		<u>278.3</u>	

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
7. INVENTORIES (As certified by the Management)		
Raw & Packing Materials	1,499.3	1,879.2
Work-in-Progress	1,311.1	1,325.5
Finished Goods [Stock in Transit Rs.7.9 Million (Previous Year Rs.5.3 Million)]	1,707.1	1,447.5
Engineering Stores	177.0	181.4
TOTAL	<u>4,694.5</u>	<u>4,833.6</u>

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
8. SUNDRY DEBTORS		
i. Over six months		
Secured – considered good	3.5	1.2
Unsecured – considered good	211.1	162.3
– considered doubtful	536.6	530.7
	<u>751.2</u>	<u>694.2</u>
Less : Provision for Doubtful Debts	<u>536.6</u>	<u>530.7</u>
	214.6	163.5
ii. Others		
Secured – considered good	39.0	39.8
Unsecured – considered good	4,275.9	4,663.0
– considered doubtful	34.3	362.4
	<u>4,349.2</u>	<u>5,065.2</u>
Less : Provision for Doubtful Debts (Refer note 5, Sch. 22)	<u>34.3</u>	<u>362.4</u>
	4,314.9	4,702.8
TOTAL	<u>4,529.5</u>	<u>4,866.3</u>
9. CASH AND BANK BALANCES		
i. Cash and Cheques on Hand	8.4	12.5
ii. Balance with Scheduled Banks		
– Current Account*	337.0	895.7
– Current Account in respect of Unclaimed Dividend Warrants	29.5	26.7
– Current Account in respect of Rights Issue Refund Orders	1.1	1.1
– Fixed Deposit Account	30.4	4.1
– Others	5.4	5.4
[* Including linked deposits account Rs.43.7 Million (Previous Year Rs.65.6 Million)]		
TOTAL	<u>411.8</u>	<u>945.5</u>
10. OTHER CURRENT ASSETS		
Interest, Rent & Claims Receivable	78.6	100.2
TOTAL	<u>78.6</u>	<u>100.2</u>

Schedules forming part of the Balance Sheet as at March 31, 2010

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
11. LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received		
Unsecured & Considered Good	484.0	488.7
Considered Doubtful	5.1	3.8
	<u>489.1</u>	<u>492.5</u>
Less : Provision for Doubtful Advances	5.1	3.8
	484.0	488.7
Advance to Piramal Healthcare Limited Senior Employees Stock Option Scheme Trust	26.0	79.3
Advance Tax [Net of Provision of Rs.3,258.5 Million (Previous Year Rs.2,489.3 Million)]	933.9	769.9
MAT Credit Entitlement	1,308.4	735.6
Inter Corporate Deposits	3,127.8	1,479.2
Less : Provision for Doubtful Inter Corporate Deposits	83.0	83.0
	3,044.8	1,396.2
Other Deposits	416.4	520.4
Balance with Customs, Port Trust and Excise Authorities on Current Account	293.2	171.9
TOTAL	<u>6,506.7</u>	<u>4,162.0</u>
12. CURRENT LIABILITIES		
Sundry Creditors		
– Dues to Micro, Small & Medium Enterprises	3.1	—
– Others	4,421.9	4,236.7
Advances from Customers	133.2	152.9
Investor Education and Protection Fund shall be credited by		
– Unpaid Dividend	29.5	26.7
Rights Issue Money Refundable to Shareholders	1.1	1.1
Interest Accrued But Not Due	106.8	81.8
Other Liabilities	1,048.9	1,807.5
TOTAL	<u>5,744.5</u>	<u>6,306.7</u>
13. PROVISIONS		
Proposed Dividend on Equity Shares	1,128.6	877.9
Provision for Wealth Tax less Payment	2.1	3.9
Tax Payable on Proposed Dividend	187.5	149.2
Provision for Employees Retirement Benefits (Refer note 1 (iii) (d) & 13, Sch. 22) [Includes VRS Provision of Rs. Nil (Previous Year Rs.7.4 Million)]	224.0	175.9
Provision for Restructuring Costs	23.7	701.7
TOTAL	<u>1,565.9</u>	<u>1,908.6</u>

Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
14. OTHER INCOME		
Dividend on Investments	—	0.7
Profit on Sale of Assets (Net)	—	68.9
Provision for Doubtful Debts Written Back	273.6	22.7
Processing Charges Received	15.0	16.7
Services & Commission	—	1.3
Rent Received [Tax Deducted at Source Rs. Nil (Previous Year Rs.Nil)]	0.3	1.1
Export Incentive	16.6	12.1
Provision no Longer Required, Written Back	3.5	125.0
Exchange Gain (Net)	141.3	—
Miscellaneous Income	157.2	188.2
TOTAL	<u>607.5</u>	<u>436.7</u>
15. MATERIALS		
Raw and Packing Materials	8,508.6	8,755.4
Purchase of Trading Goods	5,713.5	4,036.3
TOTAL	<u>14,222.1</u>	<u>12,791.7</u>
16. STAFF COST (Net of Recoveries)		
Salaries, Wages and Bonus (Refer note 13, Sch. 22)	5,121.8	4,406.0
Contribution to Gratuity, Provident and Other Funds (Refer note 13, Sch. 22)	434.8	343.8
Staff Welfare	296.5	259.8
TOTAL	<u>5,853.1</u>	<u>5,009.6</u>
17. RESEARCH AND DEVELOPMENT EXPENSES		
R & D Expenses (Refer note 13, Sch. 22)	701.5	848.8
TOTAL	<u>701.5</u>	<u>848.8</u>

Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
18. OTHER EXPENSES (Net of Recoveries)		
Processing Charges	182.0	229.9
Stores and Spares Consumed	239.2	267.6
Power, Fuel & Water Charges	792.6	810.7
Repairs and Maintenance		
Buildings	130.5	105.7
Plant and Machinery	464.8	397.9
Others	<u>23.5</u>	<u>28.0</u>
	618.8	531.6
Rent		
Premises	324.9	325.0
Other Assets	<u>125.8</u>	<u>117.2</u>
	450.7	442.2
Rates & Taxes (Includes Excise Duty)	170.6	227.1
Insurance	173.7	136.0
Travelling Expenses	981.7	926.4
Directors' Commission	48.1	36.1
Directors' Fees	1.6	1.2
Provision for Doubtful Debts	6.9	92.4
Bad Debts Written Off	9.6	—
Provision for Doubtful Advances	1.4	1.6
Advances Written Off	0.4	—
Loss on Sale of Assets (Net)	12.2	—
Loss on Impairment of Goodwill (Refer note 22, Sch. 22)	17.8	—
Advertisement and Business Promotion Expenses	1,839.5	1,512.7
Freight	394.7	304.7
Clearing and Forwarding Expenses	268.5	212.4
Claims	348.8	286.8
Legal and Professional Charges	1,044.8	843.7
Exchange Loss (Net)	—	821.1
Loss on Sale of Subsidiary (Refer note 5, Sch. 22)	157.7	—
Provision for Diminution in Value of Investments	—	29.0
Service Charges Paid	121.8	224.1
Miscellaneous Expenses	1,032.7	836.4
TOTAL	<u>8,915.8</u>	<u>8,773.7</u>

Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	Year Ended March 31, 2010 Rs. in Million	Year Ended March 31, 2009 Rs. in Million
19. (INCREASE) / DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS		
OPENING STOCKS :		
Work-in-Progress	1,325.5	693.5
Finished Goods	1,447.5	1,366.9
Less : Excise Duty	<u>25.9</u>	<u>52.3</u>
	2,747.1	2,008.1
Acquired on Acquisition		
Work-in-progress	—	235.3
Finished Goods	<u>—</u>	<u>77.4</u>
	—	312.7
CLOSING STOCKS :		
Work-in-Progress	1,311.1	1,325.5
Finished Goods	1,707.1	1,447.5
Less : Excise Duty	<u>21.1</u>	<u>25.9</u>
	2,997.1	2,747.1
TOTAL	<u>(250.0)</u>	<u>(426.3)</u>
20. INTEREST (Net)		
Interest on Fixed Loans	1,461.8	1,516.2
Interest on Others / Debentures	<u>376.3</u>	<u>467.8</u>
	1,838.1	1,984.0
Less : Interest Received :		
(i) On Term Deposits with Limited Companies & Others	843.7	1,098.2
(ii) On Income Tax Refund	28.7	8.6
(iii) On Receivables and Others	<u>49.3</u>	<u>39.2</u>
	921.7	1,146.0
TOTAL	<u>916.4</u>	<u>838.0</u>
21. EXCEPTIONAL ITEMS		
Voluntary Retirement Cost (Refer note 9(a), Sch. 22)	38.5	146.3
Restructuring Costs (Refer note 9(b), Sch. 22)	30.6	751.5
Loan no Longer Payable	<u>—</u>	<u>(451.7)</u>
TOTAL	<u>69.1</u>	<u>446.1</u>

Schedules forming part of the Financial Statements for the Year Ended March 31, 2010

22. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The consolidated financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable Accounting Standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

ii) Principles of consolidation

a. The consolidated financial statements relate to Piramal Healthcare Limited (the "Company"), its Subsidiary Companies and Joint Venture Companies (the "Group"). The consolidated financial statements have been prepared on the following basis :

1. In respect of Subsidiary Companies, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealised profits / losses on intra-group transactions as per Accounting Standard (AS – 21) "Consolidated Financial Statements".
2. In case of Joint Venture Companies, the financial statements have been consolidated as per Accounting Standard (AS – 27) "Financial Reporting of Interests in Joint Ventures".
3. In case of foreign subsidiaries, being Non-Integral Foreign Operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rate prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the exchange reserve. In case of Integral Foreign Operations, monetary items denominated in foreign currency are translated into the reporting currency at the exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. The resultant translation exchange gain / loss have been included in Profit and Loss Account.
4. The excess of cost to the Company of its investment in the Subsidiary Company is recognised in the financial statements as Goodwill, which is tested for impairment on every Balance Sheet date. The excess of Company's share of equity and reserves of the Subsidiary Company over the cost of acquisition is treated as Capital Reserve. Amortisation of goodwill is confined to amalgamation goodwill in accordance with the applicable Accounting Standards.
5. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. However, in case of depreciation it was not practicable to use uniform accounting policies in case of subsidiaries as mentioned in note no. 14.

b. The Subsidiary Companies and Joint Venture Companies considered in the consolidated financial statements are :

Name of the Company	Country of Incorporation	% Voting power held as at March 31, 2010
Piramal Diagnostic Services Private Limited (PDSPL)	India	97.5%
DDRC Piramal Diagnostic Services Private Limited @	India	50%
PHL Fininvest Private Limited (PFL)	India	100%
Arkray Piramal Medical Private Limited#	India	49%
Piramal Pharmaceuticals Development Services Private Limited (PPDSPL)	India	100%
Piramal International (PI)	Mauritius	100%
Allergan India Private Limited (Allergan)	India	49%
Piramal Holdings (Switzerland) Limited	Switzerland	100%
Piramal Life Sciences (UK) Limited (Formerly known as NPIL Life Sciences Limited)*	U.K.	100%
NPIL Pharma Inc. (NPI)*	U.S.A	100%
Piramal Investment Holdings (Canada) Inc*	Canada	100%
Piramal Healthcare (Canada) Limited *	Canada	100%
Piramal Healthcare (UK) Limited *	U.K.	100%
Piramal Healthcare Pension Trustees Limited *	U.K.	100%
Piramal Healthcare (France) Limited *	U.K.	100%
NPIL Holdings (Netherlands) B.V. (Refer note 1(ii)(c))*	Netherlands	76%

Schedule 22 (Contd.)

Name of the Company	Country of Incorporation	% Voting power held as at March 31, 2009
NPIL Cooperatief U.A. (Refer note 1(ii)(c))*	Netherlands	100%
Tangent Data SRL (Refer note 1(ii)(c))*	Romania	100%
Piramal Healthcare Inc.	U.S.A.	100%
Piramal Critical Care, Inc. (Formerly known as Minrad Inc.) (Refer note 1(ii)(e))**	U.S.A.	100%
RxElite Holdings Inc. (Refer note 1(ii)(e))**	U.S.A.	100%
Minrad International Inc. (Refer note 1(ii)(d))**	U.S.A.	100%
Minrad EU.	France	100%

held through PHL Fininvest Private Limited.

* held through Piramal Holdings (Switzerland) Limited.

@ held through Piramal Diagnostic Services Private Limited.

** held through Piramal Healthcare Inc.

- c. During the year ended March 31, 2010, the Company divested its investment in the NPIL Holdings (Netherlands) BV Group (including the wholly owned subsidiary NPIL Cooperatief UA and step down subsidiary Tangent Data SRL) on October 30, 2009. The operations of this group have been consolidated in the financial statements upto the date of divestment. (Refer note 5)
- d. During the year ended March 31, 2010, Minrad International Inc. merged with and into Minrad Inc. under the name Minrad Inc as and from December 30, 2009. (Refer note 6).
- e. During the year ended March 31, 2010, RxElite Holdings Inc. merged with and into Minrad Inc. under the name Minrad Inc. as and from December 31, 2009. (Refer note 7). The name of Minrad Inc was changed to Piramal Critical Care, Inc. with effect from December 31, 2009.

iii) Other Significant Accounting Policies

a. Fixed Assets and Depreciation

1. Fixed Assets

Intangibles

Brands / Know-how (including US FDA / TGA approvals and Business Application Software intended for long term use) are recorded at their acquisition cost and in case of assets acquired on merger, at their carrying values.

Allergan, Product Development Costs, which relate to design and testing of new or improved products or processes, are recognised as an intangible asset if it is expected that such assets will generate future economic benefits, and amortised over their useful life, not exceeding four years.

Tangibles

All fixed assets are stated at cost of acquisition, less accumulated depreciation and includes adjustment arising from exchange rate variations attributable to fixed assets. In the case of fixed assets acquired for new projects / expansion, interest cost on borrowings, and other related expenses incurred upto the date of completion of project are capitalised.

2. Depreciation

Intangibles

Brands / Know-how (including US FDA / TGA approvals) / Intellectual Property Rights are amortised from the month of product launch / commercial production, over their estimated economic life not exceeding ten / fifteen years.

Computer Software is being depreciated on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

Tangibles

Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956. Diagnostic equipments placed with customers are amortised over a period of 60 months.

Depreciation on additions / deletions of assets during the year is provided on a pro-rata basis.

3. Impairment

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable

Schedule 22 (Contd.)

amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

b. Investments

Long term investments are stated at cost, except where there is a diminution in value (other than temporary) in which case the carrying value is reduced to recognise the decline.

c. Inventories

Inventories are valued at lower of cost or net realisable value (Cost is determined on weighted average basis). The cost of work-in-process and finished goods comprises of raw materials, direct labour, other direct costs and related production overheads and Excise Duty as applicable. Net realisable value is the estimate of the selling price in the ordinary course of business as applicable.

d. Retirement Benefits

The Company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund, Superannuation Fund, Pension and Employee State Insurance Fund which are recognised by the Income Tax Authorities and administered through its trustees. The Company and eligible employees make monthly contributions to the Provident Fund trust equal to specified percentage of the covered employees' salary. The interest rate payable by the Provident Fund trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good any shortfall, if any, between the return from the investments of the trust and the notified interest rates. The Company contributes to Superannuation Fund and Employees' State Insurance Fund and Employees' Pension Scheme 1995 and has no further obligations to the plan beyond its monthly contribution.

The Company has Defined Benefit Plan comprising of Gratuity Fund, Pension Fund, Leave Encashment and Long Term Service Award. The Company contributes to the Gratuity Fund, which is recognised by the Income Tax Authorities and administered through its trustees. The liability for the Gratuity, Pension, Leave Encashment and Long Term Service Award is determined on the basis of an independent actuarial valuation done at the year end. The actuarial valuation method used for measuring the liability is the Projected Unit Credit method. The obligations are measured as the present value of estimated future cashflows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of the plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Profit and Loss Account in the year in which they arise.

Piramal Healthcare (Canada) Limited, the contribution in respect of Pension Plan for Employees of Piramal Healthcare (Canada) Limited is charged to revenue every year.

Piramal Healthcare UK Limited has a Defined Benefit scheme and a Defined Contribution scheme. The assets of the schemes are held separately from those of Piramal Healthcare UK Limited. In case of defined benefit schemes, assets are measured using market values. Liabilities are measured using a project unit method and discounted at the current rate of return of high quality corporate bond of equivalent term and currency. Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. In the case of Defined Contribution Schemes, the amount charged to profit and loss account represents the contributions payable to the scheme in the period, as determined by independent qualified agencies.

NPIL Pharma Inc., and Piramal Critical Care, Inc., have adopted a 401 (k) contribution plan. Employees become eligible for participation after three months of service. Contributions by NPIL Pharma Inc. and Piramal Critical Care, Inc. are discretionary.

e. Provisions and Contingent Liabilities

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

f. Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts and sales tax.

Piramal Holdings (Switzerland) Limited and its subsidiaries and Piramal Pharmaceuticals Development Services Private Limited, revenue from Research and Development contracts is recognised under the percentage of completion method. Revenue recognised under this method is included in unbilled revenue if it is not invoiced by the year end. Provision is made for all anticipated losses as soon as these are ascertained.

Piramal Healthcare Inc., and its subsidiaries recognise revenues from product sales and services when earned. Revenue related to products sale is recognised when the goods are received by the customer, resulting in the transfer of title and risk of loss. Sales are net of discounts and returns. The Company recognises revenue from license agreements over the remaining life of the agreement or the underlying intellectual property, whichever is shorter.

Schedule 22 (Contd.)

Piramal Holdings (Switzerland) Limited and its subsidiaries, revenue related to materials for sale and resale is recognised as goods are shipped, exclusive of VAT. Billings in advance of work performed are included in deferred revenue.

Piramal Diagnostic Services Private Limited, medical testing charges consists of fees received for various test conducted in pathology and radiology are recognised on accrual basis when the samples are received for test, net of discounts, if any.

g. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rate prevailing on the date of transactions. Gains or losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the Profit and Loss Account. In cases where they relate to acquisition of fixed assets, they are adjusted to the carrying cost of such assets. Premium or discount in respect of forward contracts is accounted over the period of the contracts.

h. Research and Development

Revenue expenditure on research and development is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

i. Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The material consumed is net of Central Value Added Tax (CENVAT) credits.

j. Voluntary Retirement Scheme (VRS)

Compensation paid on voluntary retirement scheme is charged off in the year in which they are incurred.

k. Government Assistance

Piramal Healthcare (Canada) Limited, government assistance in the form of income tax research and development tax credits, earned on qualifying expenditures, is recognised when realised. Income Tax, Investment Tax, credits related to fixed assets are accounted for as a reduction in the cost of related assets.

Piramal Healthcare UK Limited, government grants are recognised in the Profit and Loss Account in accordance with the related scheme and in the period in which these are accrued.

l. Leases

Finance Leases

Allergan, Leases which effectively transfer, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against the income. Lease management fees, legal charges and other initial direct cost are capitalised.

If there is no reasonable certainty that Allergan will obtain the ownership by the end of the leased term, capitalised leased assets are depreciated over the shorter of estimated useful life of the asset or the lease term.

Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as per the terms of the lease agreement over the lease period.

m. Taxes on Income

Current Tax

Current Tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred Taxation

Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallise.

n. Proposed Dividend

Dividend Proposed by the Board of Directors is provided in the books of account pending approval at the Annual General Meeting.

Schedule 22 (Contd.)

	As at March 31, 2010 Rs. in Million	As at March 31, 2009 Rs. in Million
2. Estimated amount of outstanding Contracts / Capital Commitment	721.7	194.6
3. Contingent Liability for the Group :		
a. Demand dated June 5, 1984 the Government has asked for payment to the credit of the Drugs Prices Equalisation Account, the difference between the common sale price and the retention price on production of Vitamin 'A' Palmitate (Oily Form) from January 28, 1981 to March 31, 1985 not accepted by the Company. The Company has been legally advised that the demand is untenable.	6.1	6.1
b. Demand dated December 12, 2005 the District Controller has asked Boehringer Mannheim India Limited (since merged with Company) for payment in relation to a liability arising out of Drug Price Controller Order, 1979. The Company has filed a writ petition in the High Court of Mumbai against the demand. The Company is of the opinion that the demand is not legally tenable.	31.3	31.3
c. Appeals filed in respect of disputed demands :		
Income Tax		
– where the Group is in appeal	683.4	671.5
– where the Department is in appeal	1,815.4	1,220.4
Sales Tax	90.2	82.7
Central / State Excise	118.6	119.1
Labour Matters	34.0	33.7
Stamp Duty	40.5	40.5
Legal Cases	72.7	74.9
d. Guarantees issued to Government Authorities, limited companies and performance guarantees.	3,176.6	194.5
e. Bills Discounted	66.0	572.3
f. Balance Share Premium payable on call for the shares acquired in DDRC Piramal Diagnostic Services Private Limited.	70.0	70.0

Note : Future Cash outflows in respect of (a), (b) & (c) above are determinable only on receipt of judgements / decisions pending with various forums / authorities.

4. (i) An erstwhile Contractor has made a claim before arbitration panel for Rs.78.5 Million on Canere Actives and Fine Chemicals Private Limited (Canere) prior to its amalgamation for unsettled dues for erection and commissioning of a manufacturing facility during the year 1999-2000. Canere has filed a counter claim of Rs.382.6 Million on the Contractor for submitting inflated bills for work not done and for special and indirect damages caused due to negligence of the Contractor. The Arbitration panel has awarded partial claim in favour of contractor resulting in total claim on Canere amounting to Rs.62.3 Million (including interest). The Company has gone into the appeal against said order in Civil Court.
- (ii) Piramal Diagnostic Services Private Limited has disputed the coverage of ESIC for its Kolkata unit from inception till November 2002. Pending outcome of the hearing an amount of Rs.3.0 Million (Previous Year Rs.2.5 Million) has been provided for in the books from the period commencing December 01, 2000 being the date from which the ESIC sent a notice claiming applicability of ESIC on the Kolkata Unit.
5. Pursuant to a Deed Of Transfer of Registered Shares between 2D Holding Cooperatief UA, a Dutch Company and Piramal Holdings (Switzerland) Limited, effective October 30, 2009, the Company sold its entire holding of 76% in NPIL Holdings (Netherlands) BV (NPIL BV) for a consideration of Rs.145.9 Million (EUR 2.1 Million). NPIL BV was the holding Company of NPIL Cooperatief UA formed under local laws. NPIL Cooperatief UA was a holding Company of Tangent Data SRL. On sale of the entire holding of 76% in NPIL BV, the excess of cost of investment (including cost of acquisition) over the net worth of NPIL BV and its subsidiaries as on the date of purchase amounting to Rs.203.7 Million (EUR 3.5 Million) recognised as Goodwill on Consolidation was written off (refer under deduction / adjustments of Sch. 5). The Company also adjusted the minority interest share as at the date of sale. The Company has recorded a net loss on sale of subsidiary (NPIL BV) amounting to Rs.157.7 Million in Schedule 18 of the Profit and Loss account.
6. During the year ended March 31, 2010, Minrad International, Inc. was merged with and into its subsidiary Minrad Inc. on December 30, 2009. As per the terms of the merger, Minrad Inc. issued 0.91 shares of par value \$0.01 each to the ultimate parent of Minrad International Inc, Piramal Healthcare Inc. This merger was recorded at book value.
7. During the year ended March 31, 2010, RxElite Holdings Inc. was merged with and into Minrad Inc. on December 31, 2009. As per the terms of the merger, Minrad Inc. issued 0.08 shares of par value \$0.01 each to the ultimate parent of RxElite Holdings Inc., Piramal Healthcare Inc. This merger was recorded at book value.
8. Minrad Inc., the merged entity was renamed as Piramal Critical Care, Inc., on December 31, 2009.

Schedule 22 (Contd.)

9. Exceptional items of Rs.69.1 Million comprise of :
- Payments made under mutually agreed release program (VRS) for the Company and its subsidiaries amounting to Rs.38.5 Million (Previous Year Rs.146.3 Million).
 - During the year ended March 31, 2010, the Company completed the process of shutdown of the operations of Huddersfield plant of its subsidiary Piramal Healthcare UK Limited and additional costs towards restructuring amounting to Rs.30.6 Million consequent to the shutdown have been charged to the Profit and Loss Account.
10. Provision for income tax for the Company has been made on the basis of Section 115JB of the Income Tax Act, 1961 (Minimum Alternate Tax).
11. In respect of certain assets acquired by Piramal Healthcare, Inc., in Minrad Inc., and RxElite Holdings Inc., (now merged as Piramal Critical Care, Inc.) on February 27, 2009, and January 27, 2009 respectively, the Company has during the year completed the assessment of determining the life of the assets. Based on this assessment, from the current year the Company has charged depreciation over the remaining useful life of the assets. Had the company not reassessed the useful life of the assets, the depreciation for the year ended March 31, 2010 would have been higher by Rs.146.4 Million (USD 3.2 Million) and consequently the net profit for year ended March 31, 2010 would have been lower by Rs.146.4 Million (USD 3.2 Million).
12. Major components of Deferred Tax Asset and Liability arising are :

(Rs. in Million)

	As at March 31, 2010		As at March 31, 2009	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
On account of timing differences				
– Depreciation	—	1,418.2	—	1,274.5
– VRS	1.0	—	0.7	—
– Provision for Doubtful Debts	156.9	—	154.9	—
– Capital Allowances, Carry Forward Losses and Unabsorbed Depreciation*	583.4	—	329.3	—
– Others	109.1	—	64.1	—
TOTAL	850.4	1,418.2	549.0	1,274.5

* In view of virtual certainty of future taxable income; Piramal Healthcare UK Limited and Piramal Diagnostic Services Private Limited have recognized deferred tax asset to the extent of Rs.479.5 Million on capital allowances and carry forward losses and Rs.101.2 Million on unabsorbed depreciation respectively, available under the tax laws in UK / India, which can be used for set off against future income.

13. **Employee Benefits :**

The disclosures required as per the revised AS – 15 are as under :

Brief description of the Plans :

The Group has various schemes for long term benefits such as Provident Fund, Superannuation, Gratuity, Leave Encashment, Pension, 401(k) Contribution Plan and Long Term Service Award. In case of funded schemes, the funds are recognised by the Income Tax Authorities and administered through trustees. The Group's defined contribution plans are Provident Fund, Superannuation, Employees State Insurance Fund, 401(k) Contribution Plan, Pension and Employees' Pension Scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952). The Group has no further obligation beyond making the contributions. The Group's defined benefit plans include Gratuity, Pension, Leave Encashment and Long Term Service Award. The Guidance on implementing Accounting Standard (AS – 15) (Revised 2005) "Employee Benefits" issued by Accounting Standards Board (ASB) states that provident funds set up by the employers which require the interest short fall to be met by the employers needs to be treated as defined benefit plan. However, as at the year end no shortfall remains unprovided for. As advised by an independent actuary, it is not practical or feasible to actuarially value the liability considering that the rate of interest as notified by the Government can vary annually. Further the pattern of investment for investible funds is as prescribed by the Government. Accordingly other related disclosures in respect of provident fund have not been made.

I. Charge to the Profit and Loss Account based on contributions :

(Rs. in Million)

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
Employer's contribution to Provident Fund	95.2	77.2
Employer's contribution to Superannuation Fund	14.6	12.8
Employer's contribution to Employees State Insurance	9.0	14.6
Employer's contribution to Employees' Pension Scheme 1995	40.0	36.4
Contribution to Pension Fund	199.9	162.2
401 (k) Plan contribution	21.8	7.1

Included in Contribution to Gratuity, Provident and Other Funds and Research and Development Expenses (Refer Sch.16 & 17)

Schedule 22 (Contd.)

II. Disclosures for defined benefit plans based on actuarial reports as on March 31, 2010.

A. Change in Defined Benefit Obligation

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Defined Benefit Obligation as at beginning of the year	299.6	281.8	2,759.1	4.8	0.1	0.6	8.8	8.3
Adjustment Related to Earlier Years*	—	—	—	2,884.7	—	—	—	—
Interest Cost	22.9	22.6	157.9	144.5	—	—	0.7	0.7
Current Service Cost	27.7	34.1	27.1	55.9	—	—	0.3	0.2
Benefits Paid	(42.5)	(30.6)	(143.3)	(62.5)	(0.2)	(0.2)	(0.4)	(1.3)
Curtailments	—	—	(78.5)	—	—	—	—	—
Actuarial (Gain) / Loss**	36.8	(8.3)	447.3	(268.3)	0.2	(0.3)	(1.1)	0.9
Present Value of Defined Benefit Obligation as at the end of the year	344.5	299.6	3,169.6	2,759.1	0.1	0.1	8.3	8.8

* relates to Piramal Healthcare UK Limited

** includes figures mainly of Piramal Healthcare UK Limited

B. Changes in the Fair Value of Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Fair Value of Plan Asset as at beginning of the year	312.5	272.2	2,743.7	8.5	—	—	—	—
Adjustment Related to Earlier Years*	—	—	—	2,823.4	—	—	—	—
Expected Return on Plan Assets	24.3	25.1	162.8	170.0	—	—	—	—
Contributions by the employer	12.5	57.6	27.9	45.6	0.2	—	0.4	—
Benefits Paid	(42.5)	(30.6)	(143.3)	(62.5)	(0.2)	—	(0.4)	—
Actuarial Gain / (Loss)**	6.2	(11.8)	388.4	(241.3)	—	—	—	—
Fair Value of Plan Asset as at the end of the year	313.0	312.5	3,179.5	2,743.7	—	—	—	—

* relates to Piramal Healthcare UK Limited

** includes figures mainly of Piramal Healthcare UK Limited

Schedule 22 (Contd.)

C. Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Funded Obligation as at end of the year	344.5	299.6	3,169.6	2,759.1	—	—	—	—
Fair Value of Plan Asset as at end of the year	313.0	312.5	3,179.5	2,743.7	—	—	—	—
Funded Liability / (Asset) recognised in the Balance Sheet (Refer Sch. 13)	31.5	(12.9)	(9.9)	15.4	—	—	—	—
Present Value of Unfunded Obligation as at end of the year	—	—	—	—	0.1	0.1	8.3	8.8
Unrecognised Actuarial Gain / (Loss)	—	—	—	—	—	—	—	—
Unfunded Liability / (Asset) recognised in the Balance Sheet (Refer Sch. 13)	31.5	(12.9)	(9.9)	15.4	0.1	0.1	8.3	8.8

D. Amount recognised in the Balance Sheet

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Present Value of Defined Benefit Obligation as at the end of the year	344.5	299.6	3,169.6	2,759.1	0.1	0.1	8.3	8.8
Fair Value of Plan Assets as at end of the year	313.0	312.5	3,179.5	2,743.7	—	—	—	—
Net Liability / (Asset) recognised in the Balance Sheet (Refer Sch. 13)	31.5	(12.9)	(9.9)	15.4	0.1	0.1	8.3	8.8

E. Expenses recognised in Profit and Loss Account

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	For the Year Ended March 31,		For the Year Ended March 31,		For the Year Ended March 31,		For the Year Ended March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Current Service Cost	27.7	34.1	27.1	55.9	—	—	0.3	0.2
Past Service Cost	—	—	—	—	—	—	—	—
Interest Cost	22.9	22.6	157.9	144.5	—	—	0.7	0.7
Expected Return on Plan Assets	(24.3)	(25.1)	(162.8)	(170.0)	—	—	—	—
Curtailments Cost / (Credit)	—	—	(78.5)	—	—	—	—	—
Net Actuarial (Gain) / Loss	30.6	3.5	58.9	(27.0)	0.2	(0.3)	(1.1)	0.9
Total Expenses recognised in the Profit And Loss Account*	56.9	35.1	2.6	3.4	0.2	(0.3)	(0.1)	1.8

* Included in Salaries, Wages and Bonus, Contribution to Gratuity, Provident and Other Funds and Research and Development Expenses (Refer Sch. 16 & 17)

Schedule 22 (Contd.)

E Actual Return on Plan Assets

(Rs. in Million)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Expected Return on Plan Assets	24.3	25.1	162.8	170.0	—	—	—	—
Actuarial Gain / (Loss) on Plan Assets	6.2	(11.8)	388.4	(241.3)	—	—	—	—
Actual Return on Plan Assets	30.5	13.3	551.2	(71.3)	—	—	—	—

G. Asset Information

(%)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Insurer	4.8	2.9	—	—	—	—	—	—
Debt	66.4	67.9	72.7	79.7	—	—	—	—
Bank Deposit	27.9	28.6	—	—	—	—	—	—
Equity	0.9	0.6	27.3	20.3	—	—	—	—

H. Principal actuarial assumptions used

(%)

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount Rate (per annum)	7.4 – 8.0	6.0 – 7.5	6.0 – 8.0	6.0 – 7.5	8.0	7.5	7.5 – 8.0	6.0 – 7.5
Expected Rate of return on Plan Assets (per annum)	8.0 – 9.0	6.0 – 9.0	6.0 – 8.0	6.0 – 9.0	—	—	—	—

I. Experience Adjustments :

	(Funded)				(Non-Funded)			
	Gratuity		Pension		Pension		Long Term Service Award	
	As at March 31,		As at March 31,		As at March 31,		As at March 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Defined Benefit Obligation	344.5	299.6	3,169.6	2,759.1	0.1	0.1	8.3	8.8
Plan Assets	313.0	312.5	3,179.5	2,743.7	—	—	—	—
Deficit / Surplus	31.5	(12.9)	(9.9)	(15.4)	0.1	0.1	8.3	8.8
Experience adjustment on plan liabilities	32.1	(20.3)	—	—	—	—	—	—
Experience adjustment on plan assets	3.0	(11.5)	(0.1)	0.1	—	—	—	—

Schedule 22 (Contd.)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

J. Expected employer's contribution for the next year is Rs.28.3 Million (Previous Year Rs.38.1 Million) for Gratuity and Pension.

K. The Liability for Leave Encashment (Non - Funded Scheme) as at year end is Rs.193.6 Million (Previous Year Rs.157.1 Million)

The expected rate of return on plan assets is based on market expectations at the beginning of the year. The rate of return on long-term government bonds is taken as reference for this purpose.

There is no other change in the accounting estimates due to applicability of (AS - 15) (Revised) as the parameters considered in the FY 2009-10 are same as those considered in FY 2008 - 09 a part from assumptions used for Principal Actuarial.

The above figures are excluding the figures of DDRC Piramal Diagnostic Services Private Limited.

14. In case of the following subsidiaries it was not practicable to use uniform accounting policies for depreciation of assets :

Company	Method of Depreciation	Accounting Policy Used	Written Down Value of Assets (Rs. in Million)	% of total Assets*
Piramal Healthcare UK Limited	Straight Line Method	Land and Building – 3.3% – 10.0% Plant and Machinery – 8.3% – 10.0% Motor Vehicles – 25.0%	371.6	1.9%
Piramal Healthcare (Canada) Limited	Reducing Balance Method	Land Improvements and Building – 10.0% Plant and Machinery – 13.9% – 20.0% Furniture and Fixtures – 20.0% Computer Software – 20.0%	113.7	0.6%
Piramal Critical Care, Inc.	Straight Line Method	Plant & Machinery – 5.0% - 20.0% Furniture & Fixtures – 20.0% Computer Software – 20.0% Buildings – 2.0%	1,087.7	5.5%
Allergan India Private Limited	Straight Line Method	Data Processing Equipments (Included under Plant and Machinery) – 33.3% Office Equipments – 18.0% Furniture and Fittings Office – 12.9% Furniture and Fittings Residence – 20.0% Plant and Machinery – 20.0% Vehicles (Including on Lease) – 25.0% Brands Acquisition and Technical Know how – 10.0% Product Development Costs – 25.0% Leasehold Improvements are written off over the lower of the useful life of the assets and the remaining period of the lease.	15.5	0.1%

* The impact of depreciation due to difference in accounting policy is not material and hence the same is ignored.

Depreciation in case of aforesaid subsidiaries / joint venture has been provided, as depicted above, at rates equal to or higher than those prescribed by the Indian Companies Act, 1956 and applied by the Group.

Schedule 22 (Contd.)

15. The Group is engaged in pharmaceutical business (mainly consisting of manufacturing and sale of own and traded bulk drugs and formulations) and Other Business which is considered the Primary reportable business segment as per Accounting Standard (AS - 17) "Segment Reporting" issued by the Institute of Chartered Accountants of India. The Secondary Segments based on geographical segmentation are considered to be Businesses outside India and within India.

(Rs. in Million)

Details	Pharmaceuticals		Other Business		Eliminations		Total	
	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009
Revenue								
– External Sales	34,787.3	31,195.1	2,064.9	1,689.7	—	—	36,852.2	32,884.8
– Inter - Segment Sales	14.7	13.7	0.8	1.9	(15.5)	(15.6)	—	—
Total Revenue	34,802.0	31,208.8	2,065.7	1,691.6	(15.5)	(15.6)	36,852.2	32,884.8
Segment Result	7,018.4	5,566.0	391.3	321.3	—	—	7,409.7	5,887.3
Less : Interest Expense	1,767.0	1,980.4	71.1	3.6	—	—	1,838.1	1,984.0
Add : Interest Income	920.7	1,143.6	1.0	2.4	—	—	921.7	1,146.0
Profit Before Tax and Exceptional Items	4,932.3	3,704.0	134.5	149.6	—	—	5,066.8	3,853.6
Less : Exceptional Items	69.1	446.1	—	—	—	—	69.1	446.1
Profit Before Tax	4,863.2	3,257.9	134.5	149.6	—	—	4,997.7	3,407.5
Less : Provision for Tax	178.9	244.6	1.4	(25.2)	—	—	180.3	219.4
Net Profit	4,684.3	3,013.3	133.1	174.8	—	—	4,817.4	3,188.1
Other Information								
– Segment Assets	36,809.1	35,661.1	2,505.8	2,459.3	(787.8)	(1,994.6)	38,527.1	36,125.8
– Segment Liabilities	19,855.0	22,434.5	2,609.8	2,515.2	(786.6)	(1,994.6)	21,678.2	22,955.1
– Capital Expenditure	2,738.6	8,814.0	130.0	867.2	—	—	2,868.6	9,681.2
– Depreciation	1,239.8	1,025.3	186.7	170.4	—	—	1,426.5	1,195.7
– Non Cash Expenses other than Depreciation	35.4	51.2	12.7	0.7	—	—	48.1	51.9

Secondary Segments

(Rs. in Million)

Details	Within India		Outside India		Inter - Segment Elimination		Total	
	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009	March 2010	March 2009
– Revenues	25,306.5	19,705.9	11,950.7	13,628.1	(405.0)	(449.2)	36,852.2	32,884.8
– Carrying amount of Segment Assets	27,863.1	24,897.7	12,505.2	13,758.7	(1,841.2)	(2,530.6)	38,527.1	36,125.8
– Capital Expenditure	1,900.6	4,423.6	968.0	5,257.6	—	—	2,868.6	9,681.2

16. Related Party Disclosures, as required by Accounting Standard 18 (AS - 18) "Related Parties Disclosures" by the Institute of Chartered Accountants of India are given below :

A. Controlling Companies

- PHL Holdings Private Limited*
- The Swastik Safe Deposits & Investments Limited (Swastik Safe)
- Savoy Finance & Investment Private Limited*
- Nandini Piramal Investment Private Limited*
- The Ajay G. Piramal Foundation*

* There are no transactions during the year with the above Companies.

Schedule 22 (Contd.)

B. Other related parties where common control exists

- Piramal Glass Limited (PGL)
- Piramal Life Sciences Limited (PLSL)
- Piramal Enterprises Limited (PEL)
- Alpex International Limited (Alpex)

C. Investing Parties with whom PHL is a JV Partner

- Allergan Inc.*
- ARKRAY Inc.*

* There are no transactions during the year with the above Companies.

D. Key Management Personnel and their relatives

- Mr. Ajay G. Piramal
- Dr. Swati A. Piramal
- Mr. N. Santhanam
- Ms. Nandini Piramal
- Mr. Anand Piramal*
- Mr. Rajesh Laddha
- Mr. Sudarshan Jain
- Dr. Sangram Tambe (w.e.f. September 01, 2009)
- Mr. Gerhard Klemant (w.e.f. November 02, 2009)
- Dr. R. Ananthanarayanan (upto July 23, 2009)

* Relative of Mr. Ajay G. Piramal, Dr. Swati A. Piramal & Ms. Nandini Piramal

Transaction with Related Parties

(Rs. in Million)

Details of Transactions	Controlling / Associates		Key Management Personnel		Total	
	2010	2009	2010	2009	2010	2009
Purchase of Goods						
– PGL	214.7	215.4	—	—	214.7	215.4
TOTAL	214.7	215.4	—	—	214.7	215.4
Sale of Goods						
– PLSL	88.4	22.8	—	—	88.4	22.8
TOTAL	88.4	22.8	—	—	88.4	22.8
Rendering of Services						
– Alpex	—	1.8	—	—	—	1.8
– PLSL	—	26.5	—	—	—	26.5
TOTAL	—	28.3	—	—	—	28.3
Receiving of Services						
– Alpex	79.0	77.9	—	—	79.0	77.9
– PEL	100.0	76.8	—	—	100.0	76.8
TOTAL	179.0	154.7	—	—	179.0	154.7
Finance granted (Including Loans and Equity contribution in cash or in kind)						
– PLSL	707.5	776.9	—	—	707.5	776.9
TOTAL	707.5	776.9	—	—	707.5	776.9

Schedule 22 (Contd.)

Details of Transactions	Controlling / Associates		Key Management Personnel		Total	
	2010	2009	2010	2009	2010	2009
Interest Received						
– PLSL	18.8	37.4	—	—	18.8	37.4
TOTAL	18.8	37.4	—	—	18.8	37.4
Remuneration						
– Mr. Ajay Piramal	—	—	68.7	61.3	68.7	61.3
– Dr. Swati A. Piramal	—	—	33.1	28.9	33.1	28.9
– Ms. Nandini Piramal	—	—	13.6	—	13.6	—
– Mr. N. Santhanam	—	—	21.3	18.6	21.3	18.6
– Mr. Rajesh Laddha (Net of Recoveries)	—	—	9.6	3.4	9.6	3.4
– Mr. Sudershan Jain	—	—	13.6	3.9	13.6	3.9
– Mr. Praneet Singh	—	—	—	10.0	—	10.0
– Dr. Sangram Tambe	—	—	7.9	—	7.9	—
– Mr. Gerhard Klement	—	—	7.1	—	7.1	—
TOTAL	—	—	174.9	126.1	174.9	126.1
Purchase of Fixed Assets						
– Swastik Safe	156.0	—	—	—	156.0	—
TOTAL	156.0	—	—	—	156.0	—
Other Payments						
– Swastik Safe	—	10.9	—	—	—	10.9
TOTAL	—	10.9	—	—	—	10.9
Receivable						
– PLSL	34.6	46.0	—	—	34.6	46.0
– Others	—	0.2	—	—	—	0.2
TOTAL	34.6	46.2	—	—	34.6	46.2
Payable						
– PGL	26.9	9.7	—	—	26.9	9.7
– Swastik Safe	—	2.1	—	—	—	2.1
– Alpex	—	1.3	—	—	—	1.3
TOTAL	26.9	13.1	—	—	26.9	13.1

Schedule 22 (Contd.)

17. The Group's significant leasing arrangements are mainly in respect of residential / office premises, computers and motor vehicles. The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Other Expenses" in Schedule 18.

These leasing arrangements are for a period not exceeding five years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Group has placed a refundable deposit of Rs.252.8 Million (Previous Year Rs.349.5 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of motor vehicles, office premises and computers on lease :

(Rs. in Million)

Payable	As at March 31, 2010	As at March 31, 2009
Not Later than one year	177.1	178.9
Later than one year but not later than five years	244.0	361.4
Later than five years	168.6	185.4

In respect of vehicles and assets taken under finance lease, the details of lease terms are as under :

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
a) Total Minimum Lease Rentals Payable	0.1	2.5
b) Future Interest included in (a) above	0.1	0.3
c) Present Value of Minimum Lease Rentals (a – b)	—	2.2

Lease Rentals Payable :

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
Not Later than one year	0.1	2.0
Later than one year but not later than five years	—	0.2
Later than five years	—	—

The Present Value of finance lease obligations is as follows :

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
Not Later than one year	0.1	2.0
Later than one year but not later than five years	—	0.2
Later than five years	—	—

18. Earning Per Share (EPS) – EPS is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of Equity Shares outstanding during the year. Numbers used for calculating basic and diluted earnings per equity share are as stated below :

	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
1. Profit after tax but before minority interest (Rs. in Million)	4,187.4	3,188.1
2. Minority Interest (Rs. in Million)	(1.6)	25.6
3. Profit attributable to Equity Shareholders of the Company (Rs. in Million)	4,819.0	3,162.5
4. Weighted Number of Shares (nos.)	209,013,144	209,013,144
5. EPS after exceptional items (Rs.)	23.1	15.1
6. Face value per share (Rs.)	2.0	2.0

Schedule 22 (Contd.)

19. Managerial Remuneration :

(Rs. in Million)

	As at March 31, 2010	As at March 31, 2009
A. To Chairman and Executive Directors		
a. Salaries	81.0	87.0
b. Commission (Rs.15.0 Million (Previous Year Rs.12.5 Million) included under Research and Development Expenses)	55.0	42.0
c. Contribution to Provident and Superannuation Fund	7.1	6.9
d. Other Perquisites	16.8	19.5
	159.9	155.4
B. To Other Directors – Commission	8.1	6.6
C. Director's Fees	1.6	1.2
Total Managerial Remuneration	169.6	163.2

20. Dividend Income of Rs.78.4 Million for the year ended March 31, 2010 received by the Company from its Joint Venture has been considered as part of the income on a stand-alone basis. However, in the consolidated financial statements only the share of the profit of the Joint Venture for the year ended March 31, 2010 has been considered.
21. There are no Derivative contracts outstanding as on March 31, 2010.
22. The goodwill in the books of Arkray Piramal Medical Private Limited is tested for impairment. Since the carrying amount of goodwill was higher than its recoverable amount the goodwill was impaired and the carrying amount of goodwill was reduced to nil.
23. As per Section 117C of the Companies Act, 1956 the Company has created Debentures Redemption Reserve for Secured Redeemable Non Convertible Debentures issued during the previous year.
24. The Minority loss of Rs.1.6 Million includes loss of Rs.1.2 Million applicable to the Minority Shareholders of Piramal Diagnostic Services Private Limited which is transferred from General Reserves. The balance loss of Rs.0.4 Million is applicable to the Minority Shareholders of NPIL Holdings (Netherlands) B.V. till the date of sale of subsidiary.
25. The Ministry of Corporate Affairs, through its notification dated March 31, 2009, has relaxed the provisions of Accounting Standard (AS – 11) - "The Effects of Changes in Foreign Exchange Rates" for treating the exchange gain / loss arising on restatement of long term foreign currency monetary items. The Company has opted to follow the changes as per the above notification for its foreign currency long term loans.

The Company is following the said notification and accordingly has decapitalised exchange difference amounting to Rs.192.1 Million on restatement of long term loans used for acquiring the fixed assets.

For Piramal Holdings (Switzerland) Limited, Rs.24.1 Million for the current year on restatement of long term foreign currency loan is transferred to the Foreign Currency Monetary Item Translation Difference Account and will be amortised over the term of the loan. Accordingly, Rs.230.9 Million has been amortised in the current year.

26. The Consolidated results for the year ended March 31, 2010 includes the results for Piramal Holdings (Switzerland) Limited, Piramal Investment Holdings (Canada) Inc., Piramal Healthcare (Canada) Limited, Piramal Healthcare Pension Trustees Limited and Piramal Healthcare France Limited, based on audited accounts upto the respective financial year ending November '09 / December '09 and management estimates prepared by respective Company's Management for the interim period ending March 31, 2010. The results of Arkray Piramal Medical Private Limited and DDRC Piramal Diagnostic Services Private Limited are based on management estimates for the year ended March 31, 2010 as audited results were unavailable. The combined Total Revenues and Net Income / (Loss) for the year ended March 31, 2010 for all the above companies as included in the Consolidated Financial Results is 3.8% and 4.0% respectively. The figures provided in notes 13 and 17 are excluding the figures for DDRC Piramal Diagnostic Services Private Limited.

27. Post Balance Sheet date the Company has signed a definitive agreement to acquire injectable anesthetic products business including - Propofol, Bupivacaine and Atracurium Besylate from Bharat Serums and Vaccines Limited.
28. Allergan, selected employees are granted share based payments in the nature of stock appreciation rights under the Share based payment plan of its parent company based upon performance and criticality to the business and long-term potential of the parent company.

The Institute of Chartered Accountants of India has issued a Guidance Note on Accounting for Employee Share based Payments, which is applicable to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005. The Management of Allergan is of the opinion that the Share based payment plan scheme is managed and administered by its parent company for its own benefit and does not have any settlement obligations on Allergan. Accordingly, Allergan is of the opinion that the same is not required to be accounted for as per the said Guidance Note.

29. The figures for the year ended March 31, 2009 have been regrouped, wherever necessary.

Signatures to Schedules 1 to 22 which form an integral part of the Consolidated Financial Statements.

For Price Waterhouse

Firm Registration Number:301112E
Chartered Accountants

Partha Ghosh
Partner
Membership No. F-55913
Izmir, May 07, 2010

Ajay G Piramal Chairman
Keki Dadiseth Director
Y H Malegam Director
Dr. Swati A Piramal Director
S Ramadorai Director
R A Shah Director
Mumbai, May 07, 2010

Deepak Satwalekar Director
N Vaghul Director
Nandini Piramal Executive Director
N Santhanam Executive Director & Chief Operating Officer
Rajesh Laddha Chief Financial Officer
Leonard D'Souza Company Secretary

Subsidiary Companies

- Piramal Diagnostic Services Private Limited
- Piramal Pharmaceutical Development Services Private Limited
- PHL Fininvest Private Limited
- Piramal Holdings (Suisse) SA
- NPIL Pharma Inc.
- Piramal Healthcare Inc.
- Piramal Critical Care Inc.
(formerly known as Minrad Inc)
- Minrad EU
- Piramal Life Sciences (UK) Limited
(formerly known as NPIL Life Sciences Limited)
- Piramal Healthcare (UK) Limited
- Piramal Healthcare Pension Trustees Limited
- Piramal Healthcare (France) Limited
- Piramal Investment Holdings (Canada) Inc.
- Piramal Healthcare (Canada) Limited
- Piramal International

Joint Venture Companies

Name of the Company	Registered Office
Allergan India Pvt. Ltd.	Level 2, Prestige Obelisk, No. 3, Kasturba Road, Bangalore 560 001, India
ARKRAY PIRAMAL Medical Pvt. Ltd.	Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013, India
DDRC Piramal Diagnostic Services Pvt. Ltd.	Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013, India

Investors Correspondence

Leonard D'Souza
Company Secretary
Piramal Healthcare Limited,
Piramal Tower Annexe,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013, India
Tel.: (91 22) 3046 6666
Fax : (91 22) 2490 2363
E-mail: complianceofficer.phl@piramal.com

Information for Shareholders

Registered Office	Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013, India Website: www.piramalhealthcare.com
Listing of Equity Shares on Stock Exchanges	Bombay Stock Exchange Limited (Code 500302) National Stock Exchange of India Limited (Code PIRHEALTH)
Share Transfer Agents	Link Intime India Private Limited C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078 Tel.: (022) 25946970 Fax: (022) 25946969 E-Mail: piramal.irc@linkintime.co.in

Plant Locations of PHL & its Subsidiaries

- Plot No.K-1, Additional M.I.D.C, Mahad,
Dist. Raigad-402 302, Maharashtra
- VFCD Division, Balkum, Old Mumbai Agra Road,
Thane-400 608 Maharashtra
- C-301/1 T.T.C. Industrial Area, Pawne,
Navi Mumbai-400 705 Maharashtra
- Plot No. 67-70, Sector II, Pithampur, Dist Dhar-454 775, M.P.
- Village Bhatauli Khurd, Sai Road, Baddi,
Dist. Solan, Himachal Pradesh
- Digwal Village, Medak District, Andhra Pradesh-502 321
- Ennore Express Highway, Enravur Village,
Chennai-600 057, Tamil Nadu
- Plot No.19 - Pharmez, Sarkhej Bavla, Sanand,
NH 8A, Village Matoda, Taluka Sanand, Ahmedabad-382 213
- Morpeth, Northumberland, UK
- Grangemouth, Stirlingshire, UK
- Aurora, Ontario, Canada
- Bethlehem, PA 18017, Pennsylvania State, USA



Piramal Tower at Mumbai



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