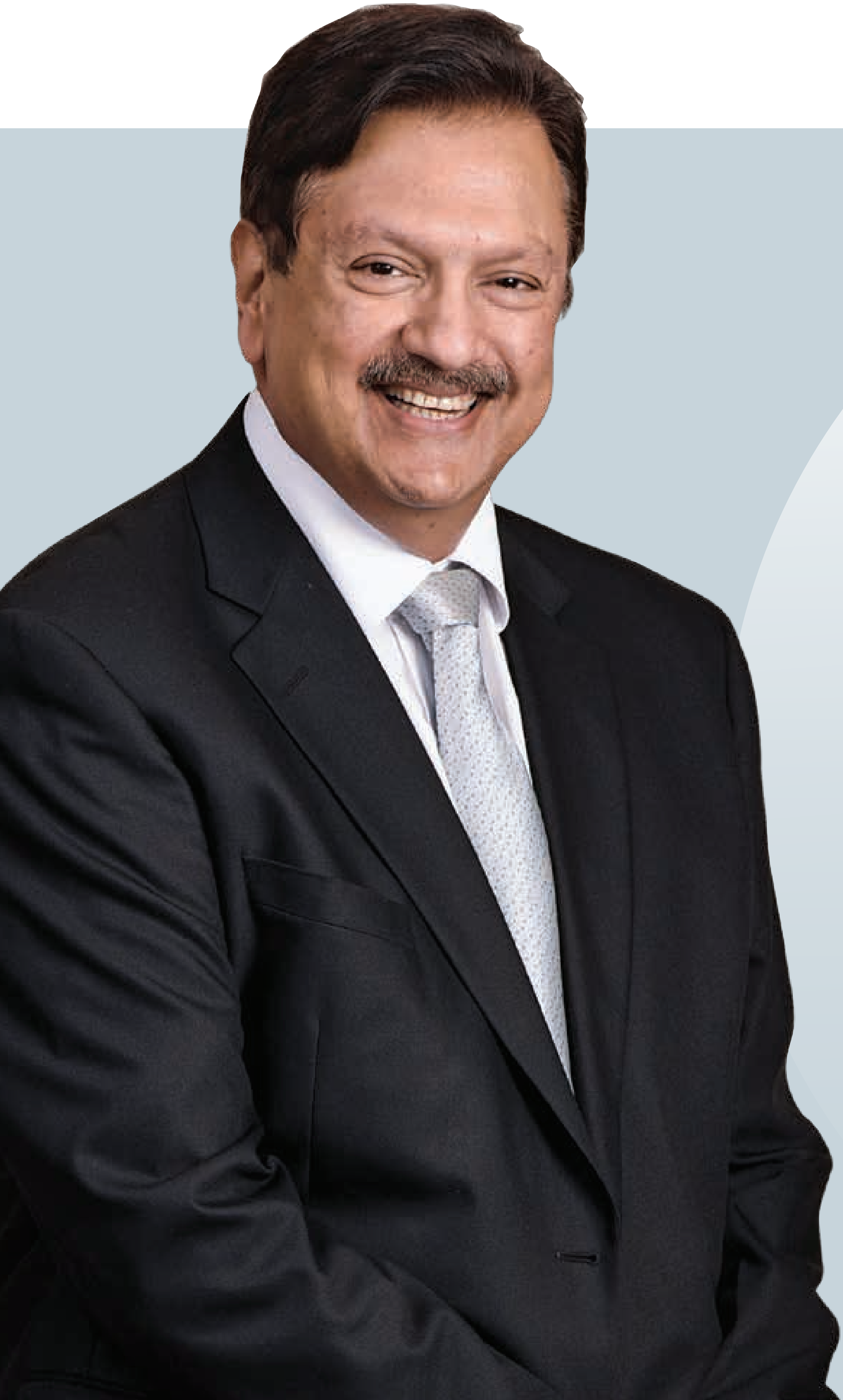
Chairman's Message



23%

30-YEAR CAGR OF REVENUE

29%

30-YEAR CAGR OF NET PROFIT

₹5,680 Cr

RETURNED TO ITS SHAREHOLDERS IN THE FORM OF DIVIDENDS, SPECIAL DIVIDEND AND BUYBACK SINCE FY2011

The Company delivered an annualised shareholder return of 29% during this period, a milestone that only a few Indian companies have achieved.

Dear Shareholders,

My warm greetings to all of you.

Our 30-year journey

The Company has consistently transformed itself over the last 30 years. In 1988, we entered the pharmaceuticals space and in over a period of two decades, we became one of the top pharma companies in India. Consequent to the sale of our Domestic Formulations business to Abbott in 2010, we have once again transformed our business model. Today, we are a diversified Company with interests across Financial Services, Pharmaceuticals and Healthcare Insight & Analytics. Apart from scaling our existing pharma businesses, both organically and through acquisitions, we entered into new businesses, grew them significantly, and attained leadership position in their respective areas. Over this period of 30 years, the Company has a Revenue CAGR of 23% and Net Profit CAGR of 29%[1] . The Company delivered an annualised shareholder return of 29% during this period, a milestone that only a few Indian companies have achieved.

Performance since the Abbott deal

Since the Abbott deal in 2010, the Company has delivered Revenue CAGR[2] of 29% and a normalised Net Profit CAGR[2] (i.e. excluding exceptional gains/losses) of 55%. Over the last five years, the Company delivered an annualised shareholder return of 40% as compared with 14% return by Nifty.

In both the key sectors, Financial Services and Pharma, the Company has been consistently delivering a strong performance since the Abbott deal. In Financial Services, we recorded a ROE of 25%+ over last 10 consecutive quarters prior to the fund raise and has consistently maintained a healthy asset quality with GNPA below 1% since last nine quarters.

The Pharma revenues[3] have grown at a seven-year CAGR of 16%. The margins for Global Pharma business (which accounts for ~92% of our Pharma revenues) have improved from 10% in FY2011 to 22% in FY2018, on account of both organic and inorganic initiatives.

Performance for the year

We have had another year of robust performance. For the year FY2018, the Company has delivered 24% growth in revenues at ₹10,639 Cr. The reported net profit for the year was at ₹5,120 Cr. During the quarter, our Loan Book grew 69% to ₹42,168 Cr. In addition to this, loans worth ₹23,300 Cr are approved but yet to get disbursed.

For the financial year 2018, the Board has recommended, subject to your approval, a dividend of ₹25 per share at a dividend payout ratio of 29%.

Restructuring in Financial Services business

During the year FY2018, we had initiated the process of merging Piramal Finance and Piramal Capital into Piramal Housing Finance with an intent of streamlining the Financial Services business, a step in the direction of de-merging Financial Services and Pharma businesses in the future. After obtaining all the necessary regulatory approvals, the merger got effective on May 23, 2018. The merger will result in significant synergies over the coming years.

The Company created a Deferred Tax Asset in its balance sheet that has resulted in an accounting gain of ₹3,569 Cr. Post adjustment, our normalised Net Profit has grown by 24% at ₹1,551 Cr for FY2018.

The benefits of these synergies are expected to accrue in the coming years. Our Financial Services ROEs (on cash basis) are expected to go up by around 2-3% for the next few years.

Fund Raise

We raised around ₹7,000 Cr over the last few months, of which ~₹5,000 Cr was through Qualified Institutional Placement (QIP) of Compulsorily Convertible Debentures (CCDs). This was the first major fund raise in the history of PEL; the largest QIP deal by any company (excluding banks) in India and a unique structure that sets a benchmark for future fundraising deals in this country. CCDs provide benefits of both debt (downside protection) and equity (upside opportunity). We also raised ₹1,782 Cr through a rights issue. The issue was oversubscribed by 1.26 times (excluding the CCD holders' reservation). The CCD holders will be entitled to subscribe to the rights issue portion of their entitlement as and when they convert the CCD into shares. The objective of this rights issuance was to give the existing PEL shareholders an equal opportunity to participate in the fundraising process.

Note:

1. *FY2018 normalised net profit excludes synergies on account of merger of subsidiaries in Financial services segment*
2. *6-year CAGR*
3. *Pharma revenues include Global Pharma and India Consumer Products*

Out of the total of ~₹7,000 Cr of capital that we raised, we have allocated ₹5,000 Cr to Financial Services and remaining ~₹2,000 Cr has been kept for Pharma and other initiatives.

Financial Services

India's GDP is expected to grow from US$2.6 trillion in 2017 to US$6 trillion in the next 10 years. Our country is expected to become the third-largest economy in the world in a couple of years. A significant pool of capital will be needed to fund this rapid growth in GDP. Higher financial penetration, significant reforms undertaken by the Government and the focus on technology is expected to quadruple the size of the financial services sector. We are very well-positioned to take advantage of this huge opportunity that our country is expected to offer.

The Loan Book grew 69% Y-o-Y to ₹42,168 Cr as on March 31, 2018. Further, ₹23,300 Cr of loans have been approved but yet to get disbursed. We saw strong growth across all the verticals of Financial Services: Real Estate Developer Financing, Corporate Finance Lending, Emerging Corporate Lending and Housing Finance business.

Despite these challenging times, over the last six years, quarter after quarter, our Company has been able to deliver a robust CAGR of 122% in the Loan Book. The consistent growth in our Loan Book is also an outcome of our approach of consistently creating innovative solutions for our clients and our high focus on diversification, through the launch of multiple new lower risk products and new business verticals. In March 2015, around 76% of our book constituted of high-yield mezzanine loans in Real Estate. Now, ~46% of our Loan Book is Construction Finance where the risk profile is much lower as the developer already has all approvals and construction is currently ongoing. Our Real Estate Developer Financing Loan Book grew by 50% to ₹31,833 Cr. During the year, we also forayed into the Hospitality sector by committing ₹1,200 Cr of loans across marquee hotel assets in Gurugram, Bengaluru and Pune.

Our Corporate Finance Loan Book grew by 118% to ₹8,209 Cr as on March 31, 2018. Due to our approach of offering customised solutions across the yield range to multiple sectors that we feel comfortable lending to, we see a huge growth opportunity in this space. During the last year, in order to cater to this opportunity, the Corporate Finance business also formed the Corporate Client Coverage Group, which is a dedicated sourcing team to build a relationship-driven lending business and offers customised-financing solutions for all wholesale-funding requirements of corporates across our selected sectors; and the Syndication Group that is responsible for down-selling of underwritten transactions across the real estate and Corporate Financing platforms.

We are now targeting diversification into retail with housing finance. We are well underway to monetise the significant opportunity that our country offers. Over the past few quarters, we have put in place branches and teams across different geographies, technology platforms and a highly-skilled analytics team, among other initiatives. Within a few months of its launch, our Housing Finance Loan Book grew to ₹1,210 Cr as on March 31, 2018. Additionally, the business has loans approved, but not disbursed at ₹580 Cr. We launched our offerings in Delhi-NCR, Bengaluru and Pune and plan to open branches in Nashik, Ahmedabad, Hyderabad and Chennai during the next few months. Apart from Housing Finance, we will continue to explore various opportunities in the retail financing segment.

As we continue to diversify and with the size and scale that our business is aiming for in next few years, we believe that we should be able to deliver 20% ROE on a sustainable basis on a much larger Loan Book in the future. During the year FY2018, the business generated an ROE of 19% as we allocated ₹5,000 Cr from the fresh capital raised to our Financial Services business.

Our Gross NPA ratio (based on 90 DPD) remained healthy at 0.3% at the end of Q4 FY2018. As a conservative measure, we continue to provide more than the regulatory requirements and maintain the provisioning at around 1.8%. During the year, we received an upward revision in rating outlook from ICRA – from AA Stable to AA Positive. Post the merger into Piramal Housing Finance, we now expect further upgrade in our credit rating.

We had earlier launched India Resurgence Fund, a distressed asset fund in a joint venture with Bain Capital Credit, the credit arm of Bain Capital. The platform is actively participating in acquiring control of good assets with broken balance sheets in growth sectors, recapitalising the capital structure to make the business viable through infusion of capital with controlling stake and driving business turnaround through active participation.

Pharma

We continue to grow well in our Pharma segment despite the tough business environment. Our Pharma business grew during the year to ₹4,322 Cr. Our business model is different from that of the other large Indian pharma companies. This differentiated business model has ensured that we perform better than the others in this sector.

Quality remains an ongoing concern for many Indian and global pharma companies, with many of them facing scrutiny by regulatory authorities such as the US FDA. Similar to the risk monitoring and assessment framework that we set in the Financial Services business, in Pharma too, we have a high focus on compliance and quality. Since 2011, we successfully cleared all 31 US FDA inspections, 102 other regulatory inspections and 826 customer audits. Quality is a culture at Piramal and we have built an exemplary quality framework that is implemented across our manufacturing facilities. Just as Risk, Legal and Compliance, the Quality function also reports independently to the Board.

Global Pharma revenues for FY2018 grew 13% Y-o-Y to ₹3,976 Cr on account of robust performance across various facilities, strong order book and good growth in business acquired from Mallinckrodt and Janssen. The transition and integration of acquired products from Mallinckrodt is completed and that of Janssen is progressing as per plan and continue to perform in line with our expectations. The company is undergoing capex plans of ~US$85-90 Mn across our facilities to increase our capabilities and capacities for our customers. The margin profile for this business has improved significantly over the last couple of years. During FY2018 we delivered EBITDA margins of 22% as compared with 20% in FY2017.

In our India Consumer Product business, we registered revenue of ₹346 Cr for FY2018, a decline of 8% over FY2017. This decline was largely on account of the introduction of GST and its implementation that affected the industry and the wholesale channel. During the year, we acquired Digeplex and associated brands from Shreya Lifesciences to consolidate our position in the gastrointestinal segment. We have also launched numerous products/brand extensions during the year.

Healthcare Insight & Analytics

The changing face of the healthcare and life sciences industry has resulted in a tidal wave of digital healthcare data, which in turn has led to increased demand for high-quality information and analytical decision-support tools and services. There is a significant shift in customer demand moving away from traditional syndicated market research towards data- and analytics-driven, technology-enabled offerings. In recognition of this shift, the segment has over the past few years increasingly invested in technology, data assets and analytics capabilities that enable it to provide user-centric solutions, directly targeting high-value client problems.

Healthcare Insight & Analytics FY2018 revenues were at ₹1,209 Cr. Revenue was largely stable as the Company continued to evolve its delivery model from large, static research reports to digitally-delivered, user-centric applications and analytics services. Currency fluctuations also impacted the topline. We continued our India expansion initiative by onboarding 340 positions in Bengaluru and Gurugram offices, representing 29% of the total employees. This will help accelerate product development, innovation and boost margins.

Building leaders for the future

At PEL, we continue to invest in our people and give them the tools to develop and sharpen their skills and talents so that they are able to remain valuable contributors to our success. Our ASCEND and SUMMIT platforms have given our employees the opportunity to accelerate their growth and development to the next level. Today, we have 280 high performers who have undergone the ASCEND development journey. 78 of them have been identified as 'High Potentials' across PEL and are being groomed for roles at the next level. The SUMMIT leadership programme focuses on preparing senior leaders of the PEL business in the future. 58 senior leaders have undergone the SUMMIT programme in the past years. A new programme, IGNITE, meant for grooming young leaders to take on mid-management roles, was initiated during the year. A group of 35 employees across our global teams were identified and are currently undergoing their 18-month development journey.

Doing well and doing good

Doing well and doing good is our stated purpose. The Piramal Foundation and our employees continue to drive initiatives primarily in the areas of healthcare, water, education and youth empowerment through our innovative programmes – Piramal Swasthya, Piramal Sarvajal and Piramal Foundation of Education Leadership (PFEL). Piramal Swasthya continues to focus on bridging the gap in primary healthcare delivery in rural areas, harnessing the power of technology across 13 states and serving more than 9.6 Cr beneficiaries. Piramal Swasthya launched DESH, a community awareness and screening programme for oral, breast and cervical cancer in Kamrup, Assam. Piramal Swasthya also launched a programme ASHWAS that focuses on the timely screening, identification, and treatment of diabetes and hypertension at Digwal, Telangana.

Piramal Sarvajal, which has been offering sustainable water solutions for those without access to potable water, today reaches more than 5.03 Lakh beneficiaries through over 1,140 touchpoints across 16 states.

PFEL and its associates continue to shape the student-learning outcomes of over 5.85 Lakh students across 4,600 government schools. PFEL expanded its programmes by launching its District Transformation Program in 3 districts. In addition, it has taken up projects for State Transformation, in partnership with Ministry of HRD and Niti Aayog, across 10 states in the country. The Gandhi Fellowship continued to attract high quality talent, which is keen to engage with communities and contribute to the nation building efforts.

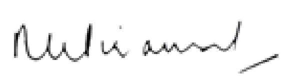
During the year, Piramal Foundation collaborated with Niti Aayog to support 25 Aspirational Districts across 7 states in improving health and nutrition and education indicators over a four-year period. The Foundation has deployed resources across these 25 districts to kick-start the programme.

Priorities for the future

The journey so far, has undoubtedly been exciting, but the future holds more promise and optimism. As we move towards a new growth trajectory, we will use the momentum that we have generated over the years along with the lessons of the past as a guideline. Going forward, we will continue to change the paradigm, consolidating and recalibrating our businesses and product offerings, nurturing and developing future leaders, increasing customer intimacy, maintaining robust cost discipline, focused capital allocation and dynamic growth strategy – all aimed at generating sustainable value.

Your Directors and I thank our shareholders and other stakeholders – employees, customers, partners and Government – for their continued trust and support. We remain committed in acting as trustee to create long-term value for all our stakeholders.

Sincerely,



Ajay G. Piramal

Chairman