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

Chairman's Letter

Dear Shareholders,

The financial year 2004-05 was a challenging year for our Company.

Consolidated Net Sales from continuing businesses grew 5.4% to Rs. 12.7 billion. However, aggregate consolidated Net Sales for the year were lower by 6.0% at Rs. 13.1 billion, compared to Rs. 13.9 billion in FY2004. Consolidated Operating Profit (OPBIDTA), decreased 35.0% in FY2005 to Rs. 2.0 billion from Rs. 3.0 billion in FY2004. Consolidated Profit After Tax declined by 17.9% in FY2005 to Rs. 1.6 billion from Rs. 2.0 billion in FY2004. Earnings per share (after extraordinary items) were Rs.8.5 per share for FY2005, compared with Rs.10.4 for FY2004. Earnings per share (before extraordinary items) were Rs.5.2 per share vs. Rs.11.7 per share in FY2004.

We faced three major developments during the year that adversely impacted our sales profitability.

1. MRP – based Excise introduced by Government of India w.e.f. 08 January 2005
2. Retail Chemists' boycott of Psychotropic and Narcotic drug sales in Q4FY2005.
3. Severe down stocking by Distributors/Chemists in Q4FY2005 because of Value Added Tax (VAT) regime introduced by Government of India w.e.f. 01 April 2005.

While While MRP–based Excise increased the cost of our formulations in the short-term, the latter two events resulted in a Rs. 1.1 billion YoY decrease in Q4FY2005 domestic formulations sales.

During FY2005, our Company also discontinued the following three revenue streams:

1. Return of the Rs. 728.3 million diagnostics business by NPIL to Roche Diagnostics for a consideration of US$ 22 million.
2. Return of the Rs. 452.0 million Biotech formulations business by NPIL to F. Hoffmann-La Roche.
3. Loss of Sales due to spin-off of Glass business, of which Rs. 660.0 million were included as Net Sales in Consolidated Financials for first quarter of FY2004.

We believe these changes do not affect the fundamentals of our business strategy. We therefore, continued to invest through FY2005.Revenue expenditure on Research & Development increased to Rs. 495.4 million in FY2005. We also invested Rs. 1.7 billion in capital expenditure during the year.

We remain committed to our three growth horizons of domestic formulations, custom manufacturing-led exports and original Research & Development.

Our core formulations portfolio is strong. We believe the loss of Net Sales of Rs. 1.1 billion (YoY) that we witnessed in Q4FY2005 is temporary, and does not adversely affect the basics of our domestic formulations strategy. We expect continued organic increase of our market share in this business.

Exports grew 31.8% to Rs. 1.6 billion, and were 12.4% of FY2005 Consolidated Net Sales. As you are aware, we have a portfolio of three long-term custom manufacturing agreements, two of which are expected to begin Sales in FY2006 and the third in FY2007. We have also built a robust custom manufacturing deals pipeline that is expected to add to these agreements.

During FY2005, our Company completed the new Research & Development Center at Goregaon, Mumbai. This Center is the single largest pharmaceuticals research facility in India, and offers state-of-the-art infrastructure/facilities to our operating team of 275 members.

Our Company has painstakingly built a business model that aspires to generate high-growth with lower risk, while maintaining our cherished ethos of IPR-compliance and partnering Innovator companies. The essence of our business model is to deliver sustainable, non-volatile growth.

To part-fund the growth plans, Nicholas Piramal has decided to raise equity funds upto Rs.3.5 billion through a Rights Equity Issue. We believe our Company has the right initiatives in place to deliver significant value in the medium and long-term. Promoters have committed to underwrite the Rights Equity Issue, which reflects their confidence in Nicholas Piramal's potential.

Thank you,

Ajay G. Piramal
Chairman
Date : , 2005

Management Discussion & Analysis

FY2005: (consolidated) at a glance

- **Summary:**
  - Net Sales : Rs. 13.1 billion
  - Operating Profit : Rs. 2.0 billion
  - Net Profit : Rs. 1.6 billion
  - Gross margins : From 57.8% to 58.1%
  - R&D spend : From 2.0% to 3.7%
  - OPM : From 21.3% to 14.6%
  - PAT : From 14.2% to 12.3%

- **Revenue and Profits:**
  - **Net Sales growth :**
    - Continuing businesses : 5.4%
    - Aggregate : (6.0%)
  - **Domestic branded formulations growth :**
    - Continuing businesses : 1.1%
  - Exports growth : 31.8%
  - Operating Profit growth : (35.0%)
  - Net Profit growth : (17.9%)

- **Operations highlights:**
  - **Domestic branded formulations:**
    - Field force stabilises at 3,165; 12 Marketing Divisions, 8 Specialist-Divisions.
    - Three new in-licensing alliances secured.
    - Thirty six new products & line extensions launched.
  - **Exports & Custom manufacturing:**
    - Exports reach 12.4% of sales.
    - Three custom manufacturing contracts, strong pipeline of additional deals.
  - **Allied Businesses:**
    - Discontinuation of Roche Diagnostics' distribution for a consideration of $22 million.
    - Continued focus to reduce domestic low-value Vitamin A, API, Generic Sales.

NPIL financial highlights – consolidated

Particulars	Quarter IV			Year ended			
	FY05 Rs. million	FY04 Rs. million	growth %	FY05 Rs. million	FY04 Rs. million	growth %	9M FY05
Net Sales	2,304.0	3,304.0	(30.3)	13,081.8	13,915.2	(6.0)	10,777.8
OPBIDTA	(157.9)	735.9	(121.5)	1,953.9	3,007.4	(35.0)	2,111.8
OPM %	(6.4%)	21.6	—	14.6	21.3	—	19.4
EBIDTA	(126.0)	743.2	(117.0)	1,575.8	1,664.1	(5.3)	2,154.5
Interest (Net)	75.7	58.0	30.5	192.1	237.9	(19.2)	116.4
OPBT	(411.2)	554.5	(174.2)	1,237.4	2,240.8	(44.8)	1,648.6
PBT before exceptional items	(379.3)	562.1	(167.5)	1,312.0	299.0	(42.9)	1,691.32
PAT	(133.4)	809.5	(116.5)	1,643.4	2,002.4	(17.9)	1,776.8
EPS Rs. (not annualized)	(0.8)	4.2	(118.0)	8.5	10.4	(18.8)	9.2

Particulars	Full-Year FY05	Full-Year FY04
Debt / Equity ratio	0.8	1.0
ROCE %	26.4	33.2
RONW %	32.2	48.9
EVA (annualized) (Rs. million)	1,385.6	1,597.2
Net Sales / NFA ratio	1.8	2.5
Inventory (days)	69	46
Receivables (days)	37	43

Review of the year ended 31 March 2005:

FY2005, Consolidated Net Sales were Rs. 13.1 billion, compared with FY2004 Net Sales of Rs. 13.9 billion. However, Consolidated Net Sales from continuing businesses grew 5.4% to Rs. 12.7billion, compared with FY2004 Net Sales of Rs. 12.1billion.

The consolidated portfolio of continuing businesses grew during the two comparative periods as follows:

Rs. million

No.	Business	Consolidated Net Sales	
		FY2005	FY2004
	Net Sales aggregate	**13,081.8**	**13,915.2**
	Less :		
1	Biotech products return to FHLR* Net Sales (of the nine products)	28.7	452.0
2	Diagnostics portfolio return to RD** Net Sales	235.2	728.3
3	Gujarat Glass & its subsidiaries+ Net Sales	0.0	660.0
4	Inhalation Anaesthetics business of Rhodia#	93.3	0.0
5	Sales from continuing businesses	12,724.6	12,074.9
	Growth from continuing businesses	5.4%	

Notes:

1. ** "FHLR" stands for F. Hoffman-La Roche.
2. *** "RD" stands for Roche Diagnostics Gmbh, Germany. The RD products - hitherto being exclusively distributed in India by the Diagnostics SBU of NPIL, have been fully returned to RD w.e.f. 01 January 2005 as per agreement between the companies.
3. + Gujarat Glass Private Limited and its subsidiaries were de-linked from NPIL w.e.f. 01 July 2004. NPIL's 53.8% ownership of Gujarat Glass was transferred to a new holding company – Kojam Fininvest Limited ("KOJAM"). Shares of KOJAM were allotted free-of-cost to shareholders of NPIL, in proportion to their ownership of NPIL (as on 12 January 2004). Allotment ratio was KOJAM share:NPIL share = 1:4. KOJAM has since been listed on the National Stock Exchange (NSE), Bombay Stock Exchange and Ahmedabad Stock Exchange in June 2004. Its market price on 31 March 2005 was Rs. 132 per share on BSE.
4. Nicholas Piramal acquired the global inhalation anaesthetics business of Rhodia Organique Fine Limited w.e.f. 11 January 2005. Nicholas Piramal recorded Net Sales of Rs. 93.3 million from this business in Q4FY2005

   For the year ended 31 March 2005, Operating Profit Before Interest, Depreciation and Tax (OPBIDTA) was Rs. 2.0 billion, a decrease of 35.0% over FY2004 OPBIDTA of Rs. 3.0 billion. The decrease was because of discontinued businesses, higher R&D spend at 3.7% of Net Sales (vs. 2.0% in FY2004), and loss of profit from lower formulations sales due to VAT in Q4FY05. Operating Margin was 14.6%, compared with 21.3% for FY2004.

   Net Interest decreased by 19.3% to Rs. 192.1 million, compared with Rs. 237.9 million in the year ended FY2004. Total Debt (considering preference shares as Debt) as on 31 March 2005 was Rs. 4.2 billion, compared with Rs. 4.1 billion for FY2004. Debt/Equity ratio (considering preference shares as Debt) was 0.8 in FY2005, compared to 1.0 in FY2004.

   Capital expenditure during the year was Rs. 2.1 billion. Depreciation for the year FY2005 was 524.4 million compared to 528.7 million in FY2004.

   Income Tax (current+deferred) for FY2005 at Rs. 464.8 million, compared with Rs. 40.5 million during the year FY2004.

Exceptional items of Rs.796.2 million during the year ended 31 March 2005, mainly included a one time consideration of US$ 22 million from Roche Diagnostics following the discontinuance of exclusive distribution agreement for their Diagnostic products.

Profit After Tax & Exceptional Items therefore, stood at Rs. 1.6 billion for FY2005, a decline of 17.9% over the previous financial year.

The FY2004 Earnings per share after Exceptional Items were Rs. 8.5 per share, a decline of 18.8% over FY2004 Earnings of Rs. 10.4 per share. Earnings per share (before extraordinary items) were Rs.5.2 per share vs. Rs.11.7per share in FY2004.

The operating results referred to above are as per Consolidated Financial Statements.

Net Sales analysis:

NPIL's domestic branded formulations business, which at Rs. 9,532.1 million, contribute to 72.9% of total consolidated Net Sales, decreased 3.2% over FY2004. However, on a like-for-like basis (i.e. excluding the returned FHLR Biotech products) the business grew by 1.1% over FY2004. Exports– growing to 12.4% of Net Sales– were Rs. 1,626.4 million. The break-up of aggregate Net Sales and growth is as under:

Rs. million

No.		Net Sales break-up	% sales	Year ended			Prev. year
			FY05	31-Mar-05	31-Mar-04	% growth	31-Mar-04
I	Domestic:						
	1	Formulations	72.9	9,532.1	9,850.7	(3.2)	8,117.0
	2	APIs	0.6	73.3	113.4	(35.3)	64.9
	4	Vitamins	5.0	653.3	642.9	1.6	411.1
	5	Diagnostics	2.7	357.0	776.1	(54.0)	280.6
	6	Pathlabs	2.8	365.1	251.1	45.4	567.5
	7	Flaconnage (Glass)	—	—	512.8	(100.0)	—
	8	Others	3.6	474.6	534.3	(11.2)	421.6
		SUB-TOTAL	**87.6**	**11,445.4**	**12,681.3**	**(9.7)**	**9,562.7**
II	Exports:						
	1	Formulations	2.3	303.3	296.2	2.4	170.3
	2	APIs	6.8	889.6	621.5	43.1	712.2
	3	Vitamins	2.2	290.6	125.2	132.1	225.0
	4	Flaconnage (Glass)	—	—	147.2	(100.0)	—
	5	Others	1.1	143.0	43.8	226.4	107.4
		SUB-TOTAL	**12.4**	**1,626.4**	**1,233.9**	**31.8**	**1,214.9**
		TOTAL	**100.0**	**13,081.8**	**13,915.2**	**(6.0)**	**10,777.6**

Note : Exports Sales include Deemed Exports Sales.

Domestic Branded Formulations

Market commentary :
Domestic formulations market opened on a good note, with the initial months suggesting growth for the year at 8-10%. However, market growth was sluggish in the peak July-September quarter, dampening overall growth prospects.

The introduction of MRP-based Excise duty, Chemists boycott of Psychotropic and Narcotic drugs and lastly the introduction of Value Added Tax (VAT) w.e.f. 01 April 2005, resulted in severe Sales shrinkage in the January-March quarter. VAT rate effective 01 April 2005 was 4%, replacing Sales tax that averaged to about 9% across most States in India. This resulted in significant down stocking by trade channels to clear-out high tax bearing inventory before end of the financial year.

The domestic market recorded growth of 4.2% (ORG-IMS MAT Mar-05) for the financial year FY2005.

Nicholas Piramal consolidated performance:
While Nicholas Piramal's consolidated domestic branded formulations business outperformed industry growth for the first three quarters of FY2005, it experienced severe sales loss in the fourth quarter on account of the above-mentioned factors.

MANAGEMENT DISCUSSION & ANALYSIS

NPIL's consolidated domestic branded formulations business decreased 3.2%. In like-for-like terms, the business grew 1.1% over FY2004, compared with industry growth of 4.2% (ORG-IMS, MAT Mar-05) during the same period. While the business outperformed industry growth for the first three quarters, it experienced severe sales loss in the fourth quarter on account of the above-mentioned factors.

NPIL's consolidated domestic branded formulations business decreased 3.2% for the whole year in aggregate terms. In like-for-like terms, the business grew 1.1% over FY2004, compared with industry growth of 4.2% (ORG-IMS, MAT Mar-05) during the same period.

Sales analysis: Consolidated formulations portfolio

Therapy area analysis
(including FHLR Biotech products)

Rs. million

No.	Therapeutic area		Year ended			Mkt. growth
		Sales wt. %	31-Mar-05 Rs. million	31-Mar-04 Rs. million	Growth %	MAT-Mar-05+ %
I	**Nicholas Piramal**					
1	Respiratory	22.2	2,117.2	2,039.2	3.8	1.7
2	Anti-Infective	12.3	1,168.5	1,274.5	(8.3)	(1.6)
3	CVS	10.7	1,015.2	895.6	13.4	11.2
4	CNS	10.4	987.2	981.9	0.5	5.8
5	Nutritionals	6.9	661.6	716.2	(7.6)	4.1
6	Biotek (aggregate)*	1.2	115.0	508.0	(77.4)	—
7	Anti-Diabetic	4.7	448.5	400.8	11.9	9.2
8	Gastro-intestinal	3.7	355.7	374.5	(5.0)	5.3
9	Dermatalogy	3.6	347.8	344.3	1.0	5.5
10	NSAIDs	6.1	585.5	653.0	(10.3)	4.7
	Others	10.2	969.4	869.4	11.5	—
II	**Allergan**					
11	Opthalmology	4.6	441.3	420.1	5.1	??
III	**Boots Piramal**					
12	OTC Products	3.3	319.3	373.2	(14.5)	—
	Total Branded Formulations	**100.0**	**9,532.1**	**9,850.7**	**(3.2)**	**4.2**

* Note: including FHLR Biotech products returned during FY2004/05.
+ Market data source: ORG-IMS, no similar market data available for Biotek segment.

Portfolio performance : Joint Ventures

1. **Boots Piramal Healthcare Pvt. Ltd. ('BPHL'):**
   BPHL is a 51:49 Joint Venture between Boots Plc., UK and Nicholas Piramal.

   In FY2005, the Company Net Sales declined by 14.5% to Rs. 651.6 million.

   PBIDT during the review period was Rs. 175.7 million, a decrease of 14.1% compared with Rs.204.5 million in FY2004. Profit after tax decreased by 21.1% for FY2005 at Rs.91.7 million, compared with FY2004 value of Rs. 116.3 million.

2. **Allergan India Limited ('AIL'):**
   AIL is a 51:49 Joint Venture between Allergan Inc., USA and Nicholas Piramal.

   During FY2005, AIL grew Net Sales at 5.1% to Rs. 900.7 million (FY2004 Net Sales: Rs. 857.4 million).

   PBIDT for FY2005 was Rs.188.6 million, compared with FY2004 Rs. 174.8 million, a growth of 7.9%. Profit after tax for FY2005 was Rs. 104.7 million, compared with FY2004 value of Rs. 96.7 million, a growth of 8.3%.

Core Brands analysis (consolidated) :

Top–10 brands formed 31.1% of consolidated formulations sales portfolio of Rs.9,532.1 million. They de-grew by 2.6% in the year, mainly on account of the low sales in Q4FY2005.

Rs. million

No.	Top-10 Brands	Therapeutic Area	FY2005	FY2004	% Growth
1	Phensedyl	Cough & cold	1,428.4	1,379.6	3.5
2	Stemetil	Anti-Emetic	228.5	214.8	6.4
3	Saridon	Analgesic	194.4	229.1	(15.1)
4	Phenergan	Anti-Allergic	182.7	171.0	6.9
5	Gardenal	Anti-epileptic	171.4	165.5	3.5
6	Sorbitrate	CVS	155.9	106.4	46.5
7	Paraxin	Anti-infective	155.2	187.8	(17.4)
8	Strepsils	Cough & cold	154.8	214.6	(27.8)
9	Haemaccel	Plasma volume expander	148.6	216.1	(31.2)
10	Tixylix	Cough & Cold	142.0	154.7	(8.2)
	Total Sales from Top-10 Brands		2,961.8	3,039.5	(2.6)
	Domestic Branded Formulations Sales – total		9,532.1	9,850.7	(3.2)
	Top-10 as %age to Total Domestic Formulations		**31.1**	**30.9**	—

Brands portfolio expansion:

New Products launch:
Nicholas Piramal launched a total of 36 new products (including extensions) during FY2005.

In-licensing agreements:
Nicholas Piramal's in-licensing efforts gained momentum during FY2005. We entered into the following in-licensing alliances during the year.

No.	Company	In-licensing particulars
1	Laboratories Pierre Fabre, France	Dermo-cosmetics, Dermatology products
2	Genzyme Corporation, USA	Synvisc Viscous supplementation
3	Ethypharm, France	Paracetamol Flash Tabs technology

The strategic alliance with Laboratories Pierre Fabre is for marketing of Dukray & Aderma range of products such as *Exomega* and *Kertyol-S*. These products add to the Dermatology products of Nicholas Piramal's Glotek Division.

On the other hand, *Synvisc* from Genzyme is a therapy for the local treatment of pain associated with Osteoarthritis of the knee. It offers superior relief due to higher molecular weight of 6 million Daltons. *Synvisc* is marketed by two large divisions of NPIL that also address the Ortho segment; namely, the Multi-Specialty and Specialty Divisions.

The in-licensing agreement with Ethypharm provides NPIL technology for producing dispersible, flash Paracetamol tablets for paediatric pain and fever indications.

DPCO:
Products under the Drug Price Control Order (DPCO) contributed 11.6% of domestic branded formulations sales in FY2005, against 14.9% in FY2004.

Field Force (standalone) :

Nicholas' Formulations field force of 3,001 personnel is estimated to be the largest in the Indian Pharmaceutical industry. We believe our investment in field force is one of the key strengths in the new patent regime. Our vast yet specialized field presence also adds to our in-licensing attractiveness. Nicholas Piramal now has a total of 12 Divisions, out of which 8 focus on specific therapies.

The sharper therapy-wise focus has enabled us to attain high coverage in specialty doctor segments. Our Multi-specialty Divisions, meanwhile, focus on General Practitioners and build mass consumption brands and primary care products.

No.	Formulations Divisions	TA Focus	FY2005	FY2004
I.	**Multi-specialty & Institutional**			
	1 Multi-Specialty	General Medicine/Orthopaedic	567	613
	2 Actis	Respiratory/Paediatrics	601	611
	3 Ethical (from SPPL)	General Medicine	383	397
	4 Specialty (from SPPL)	General Medicine/Pain management	278	298
	SUB-TOTAL		**1,829**	**1,919**
II.	**Dedicated**			
	5 Cardex	Cardiovascular	214	386
	6 Cadence	Cardiovascular	178	—
	7 Extra Care	Diabetology	232	516
	8 Cognex	Neuro-Psychiatry	265	—
	9 Zeeta	Neutraceuticals	37	—
	10 Glotek	Dermatology/Gynaecology	138	148
	11 Biotek	Nephrology/Oncology	24	36
	12 Carex	Critical Care/Anaesthesiology	84	69
	SUB-TOTAL		**1,172**	**1,155**
	TOTAL		**3,001**	**3,074**

Note : The above field force numbers are standalone Nicholas Piramal. Cadence is created out of Cardex w.e.f. 01 April 2004. Cognex is created out of Extra Care w.e.f. 01 April 2004. CNS Division of Sarabhai Piramal was merged with Cognex w.e.f. 01 April 2004.

NPIL has a tertiary field layer of three Franchisee Divisions: Zivon (335 persons), Akshay (99 persons), which market older brands to General Practitioners in semi-urban and rural areas; and Vistaar (22 persons) that does retail order booking for big brands. The combined strength of the three Divisions is 456 persons.

Custom Manufacturing Business Group and Exports

In the Exports market, Nicholas Piramal has taken a conscious decision not to be present in early-to-market generics. We plan to grow our Exports by entering into long-term custom manufacturing agreements with innovator companies. We believe this business is poised to become the key growth driver of our Company.

Nicholas Piramal is the only company among major Indian Pharmaceuticals companies that does not operate in the early-to-market generics market. Our Company has a track record of respecting and protecting intellectual property of global innovator companies. Within custom manufacturing-focused companies, we differentiate ourselves with our bench strength, ability to make significant project investments, and an end-to-end product offering:

New Custom Manufacturing agreements:

Nicholas Piramal secured two additional custom manufacturing agreements during the year.

Agreement with a Fortune-500 Company:

The first agreement is for the manufacture and supply from India of various pharmaceutical products for sale in the US market; to a leading pharmaceuticals company ranking among the Fortune 500 companies.

The agreement is for an initial period of 5 years renewable thereafter for an additional period of 3 years. On expiry of the renewed period of 3 years, the agreement may be renewed on a year-to-year basis.

Under the terms of the Custom Manufacturing Agreement, Nicholas Piramal will initially supply a select group of pharmaceutical products, which is expected to expand over the length of the agreement.

Nicholas Piramal expects sales of the initial set of pharmaceutical products to commence in the second-half of calendar 2006. The pharmaceutical products will be manufactured at the Company's existing facilities at Pithampur, Madhya Pradesh, India. The Pithampur facility is expect to undergo USFDA inspection in FY2006.

Agreement with Allergan Inc., USA

The second agreement is with Allergan, Inc., USA for the manufacture of two high-value, Anti-Glaucoma APIs. NPIL will cater to Allergan's worldwide requirements of Levobunolol (used in *Betagan* formulations) and Brimonidine (used in *Alphagan* and *Alphagan-P* formulations). Allergan's Sales from the mentioned formulations are about US$ 300 million/year. This agreement is till October 2011. The agreement has the potential to expand to worldwide supply for other, on-patent APIs of Allergan, Inc.

Facilities are ready and Nicholas Piramal has received USFDA approval for both Levobunolol and Brimonidine. Shipments are expected to commence in FY2006.

NPIL has bought-out this contract from Alpex International Private Limited including all fixed assets, agreement rights, and process IPR for a consideration of Rs 133 million, based on the valuation reports of KPMG and Dalal Mott McDonald.

Prospects from the two new custom manufacturing agreements:

Based on the initial set of products, the two agreements together are expected to generate peak Sales of around US$ 30 million per annum.

Total CAPEX for both contracts (including the payment to Alpex International Pvt. Ltd.) is expected to be Rs. 200 million.

These agreements are consistent with Nicholas Piramal's investment and profitability benchmarks for its custom manufacturing business.

With these agreements, Nicholas Piramal now has three Custom Manufacturing agreements, including the agreement with Advanced Medical Optics, Inc., USA ("AMO"). We have also built a robust pipeline of additional agreement discussions. NPIL's 100% subsidiary in the USA – NPIL Pharma Inc., has commenced operations and now serves as the crucial relationship front-end in the custom manufacturing business development process.

Consolidated Exports : current operations

Exports Sales do not yet include any Custom Manufacturing turnover.

Current Export Sales consist of niche late-to-market generic API sales to European regulated markets, and to some unregulated markets. Consolidated API business registered FY2005 Net Sales of Rs. 962.9 million, of which Exports were Rs. 889.6 million.

The current API portfolio consists of Diltiazem, Ketoconazole and Verapamil Hydrochloride.

NPIL also exports select formulations such as Halothane and blood plasma expanders. Consolidated formulations exports were Rs. 303.3 million in FY2005, as compared with Sales of Rs. 296.2 million in FY2004. The FY2005 consolidated formulations exports include Rs. 93.3 million from inhalation anaesthetics business of Rhodia acquired in January 2005.

Total Consolidated Exports were Rs. 1,626.4 million, which was a growth of 31.8% over FY2004 Exports of Rs. 1,233.9 million.

Vitamins and Fine Chemicals

The Vitamins and Fine Chemicals Division (VFCD) has been focusing on selling more in the Exports market and in Human Nutrition & Health segment in the domestic market. These segments demand higher quality, and therefore, are not adversely affected by cheap, lower-quality supplies. Today, nearly a third of VFCD sales come from Exports.

During the review period, Net Sales were Rs. 943.9 million, as compared with FY2004 Sales of Rs. 768.1million, representing a growth in sales of 22.9%.

Domestic market Net Sales were Rs. 653.3 million, compared with Rs. 642.9 million in FY2004. This represented a growth of 1.6%. However, Exports during FY2005 jumped to Rs. 290.6 million, compared with Rs. 125.2 million in FY2004, a growth of 132.1%. VFCD's global marketing team has 5 members.

Diagnostics business

A majority of our Diagnostics business turnover has, up till now, come from exclusive distribution of certain Roche Diagnostics products. These rights were got when our Company acquired the Indian operations of Boehringer Mannheim in India, in 1997. The exclusive distribution rights were for an initial period of 10 years up till 2007, and were renewable thereafter.

The Net Sales generated from distribution of Roche Diagnostics products in FY2004 were Rs. 728.3 million, out of the total Diagnostics business Net Sales of Rs. 776.1 million. The remaining Net Sales of Rs. 47.8 million in FY2004 were from non-Roche Diagnostics products.

The Diagnostics business has performed well over the years, and has given NPIL leadership status in marketing and distribution of Diagnostics products in the country. However, this business is different than the core domestic formulations business. Diagnostics distribution meant that NPIL was not growing its own franchise for a continuing revenue stream. Also, by the nature of the activity, this business was less profitable than the domestic formulations business.

In keeping with its aim of focusing on core operations and higher-profitability revenue-mix, Nicholas Piramal agreed with Roche Diagnostics Gmbh, Germany - in October 2004 - to return the distribution business of these products in India back to Roche Diagnostics for a consideration of US$ 22 million.

Operations review:

Due to the mentioned material development, Diagnostics Net Sales were lower in FY2005 at Rs. 357.0 million compared to Rs. 776.1 million in FY2004. Of this, Rs.235.2 million were from Roche Diagnostics products (FY2004: Rs. 728.3 million).

Research & Development program

During the year, Nicholas Piramal commissioned its new 200,000 sq. ft. R&D center at Goregaon, Mumbai, which is probably the largest, single-site Pharmaceuticals R&D Center in the country. The Center was inaugurated by His Excellency The President of India, Dr. A. P. J. Abdul Kalam.

The new R&D Center has a capacity to house 400 scientists and is equipped with state-of-the-art instrumentation, laboratories and pilot plants to carry out new drug discovery, novel drug delivery technology, formulation activities and API process development.

Our R&D division currently employs 275 people and is engaged in long-term exploratory and basic research programs in chemistry, biology and natural product chemistry dedicated to product development.

The current pipeline is related to medical needs in cancer, diabetes and inflammation. Our lead oncology molecule, P276-00, has recently moved to Phase-I clinical trials. The back up compound, P664-02, is in pre-clinical stage.

In diabetes, early-stage non-PPAR compounds have been identified. In Inflammation research, we are working on small molecular weight inhibitors to block the secretion of TNFa, a protein implicated in the destruction of joints of patients suffering from rheumatoid arthritis.

Nicholas Piramal plans to augment its research portfolio with an aggressive in-licensing strategy and collaboration with academic institutions in India and abroad. We have alliances with Indian Institute of Science, Bangalore, RRL, Jammu, and Anna University in Chennai for discovering new targets to treat fungal diseases, novel immunomodulators, and new drugs to treat cancer and diabetes.

NPIL has also initiated a program in New Drug Delivery Systems (NDDS). Here, we are exploring the possibility of developing a proprietary technology to deliver drugs.

Human Resources

Nicholas Piramal aims to recruit and retain quality professionals and provide them with a high performance environment. The Company follows a detailed performance management system. Employees are rewarded with performance-linked variable pay and stock options.

During the period under review, total manpower marginally increased to 5,989 from 5,880 in FY2004, while aggregate field force (formulations + other businesses) decreased to 3,165 from 3,279. R&D team size increased to 275 from 255.

No.	Function	FY2005	FY2004	+/(–)
Total manpower		5,989	5,880	109
a.	Field staff	3,165	3,279	(114)
b.	R&D staff	275	255	20
c.	Others	2,549	2,346	203

Subsidiaries

Pathlabs:

Our Pathological Laboratories business continued to deliver high-growth in FY2005. Our operations continue to be organized around regional Pathlabs with strong franchise. The performance of Pathlabs is as under:

Rs. million

No.	Pathlabs name	NPIL Ownership %	FY2005		
			Income	PBIDT	PAT
1	NPIL Laboratories and Diagnostics Pvt. Ltd.	100	211.1	65.7	19.9
	FY2004		149.4	36.9	17.9
2	NPIL – Dr. Phadke Pathology Laboratory & Infertility Center Pvt. Ltd.	60	115.5	27.5	7.0
	FY2004		88.3	23.1	12.1
3	NPIL – Dr. Golwilkar Laboratories Pvt. Ltd.	70	39.3	7.5	1.4
	FY2004		34.0	7.1	3.5

FINANCIAL HIGHLIGHTS

Income Statement (Consolidated)

Rs. in Million

	2004-05	2003-04	Growth
Total Income			
Sales			
– Gross	14610.7	15643.7	(6.6)%
– Net	13081.8	13915.2	(6.0)%
Operating Other Income	260.1	198.8	
Non Operating Other Income	74.6	58.2	
Total	**13416.5**	**14172.2**	**(5.3)%**
PBIDT			
Operating Profit	1953.9	3007.4	(35.0)%
Operating Profit as a % to Total Operating Income	***14.6%***	***21.3%***	
Non Operating Other Income	74.6	58.2	
Total	2028.5	3065.6	(33.8)%
PBIDT as a % of Total Income	15.1%	21.6%	
Interest (net)	192.1	237.9	(19.3)%
Depreciation	524.4	528.7	(0.8)%
Exceptional Items	(796.2)	256.1	
Profit Before Tax	2108.2	2042.9	3.2%
Tax			
– Current	247.5	210.8	
– Deferred	217.3	(170.3)	
Total Tax	464.8	40.5	
Profit After Tax	1643.4	2002.4	(17.9)%
Earnings Per Share (Rs.) (Face value Rs. 2/-)	8.5	10.4	(18.3)%
Earnings Per Share before exceptional items			
(net of tax) (Rs.)	5.2	11.7	(55.6)%

Net Sales
Net Sales during the year registered a decrease of 6.0% over the previous year. Detailed analysis of the sales is given earlier in the report.

Operating Other Income
The increase is mainly on account of *****.

Non Operating Other Income
The increase in non operating other income is due to *****

Operating Profit Before Interest, Depreciation and Tax (OPBIDT)
Operating PBIDT decreased from Rs.3007.4 Million to Rs.1953.9 Million registering a de-growth of 35.0%. Operating margins as a percentage of total income also decreased to 14.6% from 21.3%. The decrease was mainly due to the significant loss of domestic formulations in Q4-FY2005, the factors for which are stated in detail earlier in this report.

Net Interest
Net Interest came down from Rs. 237.9 million to Rs. 192.1 million in FY2005.

The reduction of Rs.45.8 Million was mainly on account of:

a. ***; and

b. ***.

Depreciation

Depreciation charges were flat at Rs. 524.4 million, compared to Rs. 528.7 million in FY2004. The higher depreciation on account of capital expenditure was compensated by lower depreciation charges as a result of Gujarat Glass de-subsidiarisation.

Exceptional Items

Exceptional Items during the year includes the consideration of Rs. ** million (net of charges) received from Roche Diagnostics towards return of the Diagnostics distribution rights.

Taxation

****

Profit After Tax

Profit After Tax decreased from Rs.1643.4 Million to Rs.2002.4 Million registering a decrease of 17.9%.

Earning Per Share (EPS)

EPS [before exceptional items (net of tax)] and EPS after exceptional items were Rs.8.5 and Rs.5.2 respectively as compared to Rs.10.4 and Rs.11.7 for the previous year.

Balance Sheet

Rs. Million

Particulars	As at March 31, 2005	As at March 31, 2004
Liabilities		
Share Capital		
– Equity	380.0	380.0
– Preference	533.7	533.7
Reserves & Surplus	4619.5	3667.9
Minority Interest	41.1	40.9
Loan Funds	3680.0	3573.4
Deferred Tax Liability	786.9	562.0
Total Liabilities	**10041.2**	**8757.9**
Assets		
Net Fixed Assets	7278.3	5676.5
Investments	37.3	52.0
Net Working Capital	2534.7	2846.1
Deferred Tax Assets	190.9	183.3
Total Assets	**10041.2**	**8757.9**

Share Capital

Share Capital includes ordinary equity capital of Rs. 380.0 million and non-convertible preference share capital of Rs. 533.7 million.

Loan Funds

During the year there was an increase of Rs.106.6 million in loan funds.

Fixed Assets

During the year we incurred Rs.2.1 billion as capital expenditure including leased assets. The major items of capital expenditure were as under :

		Rs. in Million
a.	*****	*****
b.	*****	*****
c.	*****	*****
d.	*****	*****
	Total	****

Investment

During the year the Company's investments decreased by Rs. 14.7 million.

Net Working Capital

Rs. Million

Particulars	As at March 31, 2005	As at March 31, 2004
Raw/Packing Materials & WIP	**	**
No. of days (Materials Consumed)	**	**
Finished Goods	**	**
No. of days (Cost of Production)	**	**
Receivables	**	**
No. of days (Gross Sales)	**	**
Net Working Capital	**	**
No. of days (Gross Sales)	**	**

Inventory increased sharply due to destocking by wholesalers and retail chemists in Q4FY2005 on account of Value Added Tax implementation w.e.f. 01 April 2005. Debtors reduced from ** days to ** days due to focused collection during the destocking period.

Return on Capital Employed (ROCE)

Rs. Million

Particulars	As at March 31, 2005	As at March 31, 2004
Net Fixed Assets*	**	**
Net Current Assets*	**	**
Capital Employed ** (excluding investments)	**	**
PBIT (Excluding Dividend and Profit on sale of assets)	**	**
ROCE (%)	**	**

*Average

Return on Capital Employed decreased to **% from **% last year

Economic Value Added (EVA)

Rs. Million

Particulars	2004-05	2003-04
PAT for the Year	**	**
Add: Exceptional Items (net of tax)	**	**
Add: Interest (net of tax)	**	**
NOPAT (1)	**	**
Capital Employed ** (2)	**	**
Gearing %	**	**
Average Rate of Interest	**	**
Cost of Debt (post tax)	**	**
Cost of Equity		
Long Term Govt. Bonds (Source: DSPML)	**	**
Market Risk	**	**
Cost of Beta Variant (Source: DSPML)	**	**
Cost of Equity	**	**
WACC (3)	**	**
Cost of Capital (2x3=4)	**	**
EVA (1–4)	**	**

EVA ***creased to Rs.*** million from Rs.*** million in 2003–04

** Weightage given to business acquired during the year.

Corporate Governance

Introduction

During the year 2004–2005, Clause 49 of the Listing Agreement which relates to Corporate Governance was revised pursuant to SEBI circular dated 29th October,2004, whereby far reaching amendments were incorporated. SEBI has extended the last date for ensuring compliance by listed companies with the revised Clause 49 to 31st December,2005. However, your Company has already complied in all material respects with the revised Clause 49 of the Listing Agreement. A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

A. MANDATORY REQUIREMENTS

1. Company's Philosophy on Corporate Governance:

The Company believes that 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 interest of other stakeholders. It brings into focus the fiduciary and the 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 presently consists of a majority of non-executive / independent directors, many of whom are acknowledged as leading professionals in their respective fields. As of date, the Board comprises of three (3) executive directors, two (2) non-executive directors and seven (7) independent directors.

The constitution of the Board is given below :

Name of Director	Executive / Non-Executive / Independent	Other Directorships[1]		Membership of other Board Committees[1]	
		Member	Chairperson	Member	Chairperson
Ajay G. Piramal	Chairman, Executive	1	11	1	1
G. P. Goenka	Independent	11[2]	—	—	1
Rajesh Khanna	Independent	4	—	5	—
Y. H. Malegam	Independent	11	—	4	4
Dr. Swati A. Piramal	Director-Strategic Alliances and Communications, Executive	12	—	2	—
Urvi A. Piramal	Non-executive	11	—	2	3
Harsh Piramal [3]	Non-executive	5	—	—	—
S.Ramadorai	Independent	9	2	5	2
R. A. Shah	Independent	18[2]	4	6	3
Vijay Shah	Chief Operating Officer, Executive	7	—	1	3
Deepak Satwalekar	Independent	7	—	4	2
N. Vaghul	Independent	6	4	4	4

Note : Details of Mr. C. M. Hattangdi, Mr. S. Venkitaramanan, Mr. M. R. Shroff and Dr. William Jenkins are not included in the above as well as subsequent tables in this Report, as they have ceased to be directors of the Company during 2004-05.

[1] This includes directorships/committee memberships in public limited companies and subsidiaries of public limited companies and excludes directorships/committee memberships in private limited companies and overseas companies and section 25 companies.

[2] Includes companies in which the directors are alternate directors.

[3] Mr. Harsh Piramal has been appointed as director of the Company w.e.f 1st June, 2004, in the casual vacancy of Mr. M. R. Shroff.

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

The Board of the Company met 8 times during the last financial year, on the following dates:

1st April,2004	22nd April,2004	24th June,2004
22nd July,2004	21st October,2004	17th December,2004
21st January,2005	12th March,2005	

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 the Listing Agreement, from time to time.

The attendance at the Board Meetings and Annual General Meeting were as under :–

Name of Director	Board Meetings		AGM
	held during their tenure	attended	
Ajay G. Piramal	8	8	✓
G. P. Goenka	8	1	
Rajesh Khanna	8	7	✓
Y. H. Malegam	8	7	
Dr. Swati A. Piramal	8	5	
Urvi A. Piramal	8	5	✓
Harsh Piramal	6	3	
S.Ramadorai	8	2	
R. A. Shah	8	8	✓
Vijay Shah	8	8	✓
Deepak Satwalekar	8	8	✓
N. Vaghul	8	7	✓

Code of Conduct

The Company has formulated and implemented a Code of Conduct for all Board Members and Senior Management of the Company in compliance with Clause 49 (1)(D) of the Listing Agreement.

Audit Committee

During the financial year 2004-05, six Audit Committee Meetings were held on the following dates, including before finalisation of accounts and adoption of the Quarterly Financial Results by the Board:

21st April, 2004	21st July, 2004	9th September, 2004	20th October, 2004
21st January, 2005	12th March, 2005		

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

Name	Designation	Non-executive/ Independent	Profession	Committee Meetings	
				held during their tenure	attended
R. A. Shah	Chairman	Independent Director	Solicitor	6	6
Y. H. Malegam	Member	Independent Director	Chartered Accountant	6	6
N. Vaghul #	Member	Independent Director	Service	4	4

Mr. N. Vaghul was appointed as Member of the Audit Committee in place of Mr. S. Venkitaramanan, with effect from 22nd July, 2004.

The terms of reference of the Audit Committee include those specified under the revised Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act,1956, such as :

a) To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors / Internal Auditors;

b) To review compliance with internal control systems;

c) To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;

d) 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;

e) To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

4. Remuneration Committee

The Remuneration Committee reviews and makes recommendations on annual salaries, performance linked bonus, stock options, perquisites and other employment conditions for executive directors. The Committee takes into consideration remuneration practices followed by leading companies as well as information provided by reputed consultants while determining the overall remuneration package. The annual variable commission in the form of 'Performance Linked Bonus' 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.

The non-executive directors are paid remuneration by way of Commission and Sitting Fees. The payment of Commission is decided by the Committee broadly on the basis of Board Meetings and Committee Meetings attended by the non-executive directors and their respective contribution to the Company and also the overall performance of the Company.

The Remuneration Committee met twice during the year on 21st April, 2004 and 19th August, 2004

The members of the Committee are:

Name	Designation	Executive/ Non-executive/ Independent	No. of Meetings Attended
N. Vaghul	Chairman	Independent Director	2
R. A. Shah	Member	Independent Director	2
S.Ramadorai	Member	Independent Director	1
Ajay G. Piramal	Member	Executive Director	2

Remuneration of Directors

Details of remuneration paid / payable to the directors for the year ended March 31, 2005 are as follows :

(Rupees)

Director	Relationship with other directors	Business relationship with the Company	Loans and advances from the Company	Sitting fees*	Salary & Perquisites	Performance Linked Bonus / Commission	Total
Ajay G. Piramal	Husband of Dr. Swati A. Piramal. Brother–in–law of Mrs. Urvi A. Piramal	Promoter	nil	nil	2,37,12,590	nil	2,37,12,590
G. P. Goenka	None	None	nil	10,000	nil	nil	10,000
Rajesh Khanna	None	Representative of Strategic Investor	nil	nil	nil	nil	nil
Y. H. Malegam	None	None	nil	1,30,000	nil	nil	1,30,000
Dr. Swati A.Piramal	Wife of Mr. Ajay G. Piramal	Director-Strategic Alliances and Communications. Promoters' family	nil	nil	1,09,76,949	nil	1,09,76,949
Urvi A. Piramal	Sister –in–law of Mr. Ajay G. Piramal	Promoters' family	nil	70,000	nil	nil	70,000
Harsh Piramal (from 1st June 2004)	Son of Mrs. Urvi A. Piramal	Promoters' family	nil	30,000	nil	nil	30,000

Director	Relationship with other directors	Business relationship with the Company	Loans and advances from the Company	Sitting fees*	Salary & Perquisites	Performance Linked Bonus / Commission	Total
S. Ramadorai	None	None	nil	30,000	nil	nil	30,000
R. A. Shah	None	Sr. Partner, Crawford Bayley & Co., the Company's Solicitors	nil	1,60,000	nil	nil	1,60,000
Vijay Shah	None	Chief Operating Officer	nil	nil	1,26,69,761	nil	1,26,69,761
Deepak Satwalekar	None	None	nil	80,000	nil	nil	80,000
N. Vaghul	None	None	nil	1,30,000	nil	nil	1,30,000

* includes sitting fees paid for Committee Meetings

Notes:

1. In view of the performance of the Company being below expectations for the financial year ended 31st March,2005, the Board accepted the recommendation of the Remuneration Committee and decided not to pay Performance Linked Bonus to the executive directors and commission to the non-executive directors.
2. The terms of appointment of the following executive directors as approved by shareholders, are contained in the Agreement executed with them by the Company as follows:

   Mr. Ajay G. Piramal : Agreement dated 24th June,2002.

   Mr. Vijay Shah : Agreement dated 31st October,2003.

   Dr. (Mrs) Swati A. Piramal : Agreement dated 14th January,2003.
3. As per the existing ESOP policy of the Company, stock options are not granted to 'Promoter Directors' and non-executive directors. Accordingly, Mr. Vijay Shah is the only Director who is entitled to stock options. During the year ended 31st March, 2005, 11,25,000 stock options (relating to equity shares of Rs.2/- each) were granted to Mr. Vijay Shah. Out of these, depending on his performance, achievement of key results areas and other criteria, the remuneration committee would determine the actual number of stock options that would vest in favour of Mr. Vijay Shah. Out of the total options so approved for vesting, 50% would vest immediately, 30% would vest after the 1st year and the balance 20% would vest after the 2nd year from date of approval for vesting. The stock options are exercisable by him within a period of one year from vesting, failing which the same would lapse.

Shareholding of Non Executive / Independent Directors

Name of Director	No. of equity shares of Rs. 2 each
G. P. Goenka	—
Rajesh Khanna	—
Y. H. Malegam	—
Urvi A. Piramal	3,79,500
Harsh Piramal	8,80,665*
S. Ramadorai	—
R. A. Shah	4,185
Deepak Satwalekar	—
N. Vaghul	—

* Include shares held as Karta of HUF

5. Investors Grievance Committee

The Investor Grievance Committee met twice during the year on 22nd April, 2004 and 21st October,2004. Following are the members of the Committee :

Name	Designation	Non-executive/ Independent
Urvi A. Piramal	Chairperson	Non-Executive
Rajesh Khanna#	Member	Independent
Vijay Shah#	Member	Executive

Mr. Rajesh Khanna and Mr. Vijay Shah were appointed as members of the Committee w e f 22nd July, 2004 in place of Mr. M. R. Shroff and Mr. C. M. Hattangdi.

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 2004–2005 and 2003–2004, all of which have been resolved during the year of receipt. There is no complaint pending as at 31st March, 2005.

Nature of Complaints	2004–05	2003–04
Dividend	9	15
Non-receipt of Shares	11	—
Others	10	—
Total	**30**	**15**

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

2 court cases have been filed against the Company during 1999-2000, relating to allotment of shares under the Scheme of Arrangement between Sumitra Pharmaceuticals and Chemicals Limited and the Company. The Company is contesting these cases and it is expected that no liability is likely to devolve on the Company

6. 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
55th AGM	20th June, 2002	3.30 p.m.	All the AGMs were held at Yashwantrao Chavan Pratisthan, Opposite Mantralaya, Mumbai 400 021	3
56th AGM	13th June,2003	3.00 p.m.		—
57th AGM	24th June, 2004	3.00 p.m.		1

The special resolutions were passed on show of hands.

Resolution passed through Postal Ballot

During 2004-05, consent of the members of the Company was sought by special resolution, through postal ballot, for sub-division of (a) 5,00,00,000 equity shares of the nominal value of Rs.10/- each in the share capital of the Company into 5 (Five) equity shares of Rs.2/- each, and (b) 2,10,00,000 unissued unclassified shares of the nominal value of Rs.10/- each in the share capital of the Company into 5 (Five) unclassified shares of Rs.2/- each and also for consequent alteration of capital clause of Memorandum of Association and Article 3 of the Articles of Association. The Postal Ballot Process was undertaken in accordance with the provisions of Section 192A of the Companies Act,1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001;

Mr. N. L. Bhatia, a senior Practicing Company Secretary, was appointed as Scrutinizer for conducting the Postal Ballot process. The results of the Postal Ballot which were announced on 17th December,2004 are given hereinbelow:

Total Postal Ballots received	:	7553
Number of invalid Postal Ballots received	:	603
Number of valid Postal Ballots received	:	6950
Number of Votes in favour of the resolution	:	25086406
Number of Votes against the resolution	:	10714

Thus, the said Special Resolution was approved by an overwhelming majority.

At present the Company does not have any proposal for postal ballot.

Directors appointment / re-appointment – details

Mrs. Urvi A. Piramal, Mr. Y.H. Malegam and Mr. G. P. Goenka shall be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Mr. Harsh Piramal who was appointed as director in the casual vacancy of Mr. M.R.Shroff, holds office upto the date of the ensuing Annual General Meeting and is proposed for appointment as director at the said Meeting.

Brief details concerning Mrs. Urvi A. Piramal, Mr. Y. H. Malegam, Mr. G. P. Goenka and Mr. Harsh Piramal are given below:

Mrs. Urvi A. Piramal is a Science graduate and has completed her Advanced Management Programme from the Harvard University, U.S.A. She has been a Director of the Company since June1988. Her other directorships in public limited companies are:

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1	Morarjee Realties Ltd.	Vice Chairperson/Audit Committee-Chairperson/ Investors Grievance Committee-Chairperson
2	Morarjee Textiles Ltd.	Director / Investors Grievance Committee – Chairperson
3	Piramal Holdings Ltd.	Executive Vice Chairperson
4	G. P. Electronics Ltd.	Director / Audit Committee-Member
5	Urvi Chemicals & Allied Industries Ltd.	Director
6	Piramal Polymers Ltd.	Director
7	Gujarat Glass Private Ltd.	Director
8	PMP Components Pvt. Ltd.	Director
9	Piramyd Retail and Merchandising Pvt. Ltd.	Director / Audit Committee-Member
10	Charlie Capital Services Ltd.	Director
11	Piramyd Retail Ltd.	Director

Mr. Y. H. Malegam is a Chartered Accountant and is the former Managing Partner of S. B. Billimoria & Co., Chartered Accountants. Mr. Y. H. Malegam is on the Board of the Company since August, 1997. His other directorships in public limited companies are:

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1	ABC Bearings Ltd.	Director
2	Bayer CropScience (I) Ltd.	Director/Audit Committee-Member
3	Cabot India Ltd.	Director/Audit Committee-Chairman
4	The Clearing Corporation of India Ltd.	Director
5	Escorts Ltd.	Director
6	National Securities Clearing Corp. Ltd.	Director
7	National Stock Exchange of India Ltd.	Director/Audit Committee-Member
8	Siemens Ltd.	Director/Audit Committee-Chairman/ Remuneration Committee-Member
9	Tata Coffee Ltd.	Director/ Audit Committee-Chairman/ Remuneration Committee-Member
10	Tata Tea Ltd.	Director /Audit Committee-Chairman
11	Hindustan Construction Company Ltd.	Director

Mr. G. P. Goenka is a reputed industrialist hailing from one of the country's oldest business families. He is a science graduate from the University of Calcutta. Mr. Goenka is a Director of a number of well known listed companies.

Mr. Goenka has also been associated with a number of Trade & Industry Organisations. He has also served as a Member on the Prime Minister's Council on Trade and Industry. His other directorships in public limited companies are:

Sr. No.	Name of the Company	Designation / Membership of Board Committees
1	Andhra Cements Ltd.	Director / Remuneration Committee-Chairman
2	Consolidated Fibres & Chemicals Ltd.	Director
3	Duncans Industries Ltd.	Director
4	Energy Development Company Ltd.	Director
5	Gujarat Carbon & Industries Ltd.	Director
6	Jay Shree Tea & Industries Ltd.	Director
7	NRC Ltd.	Director
8	Stone India Ltd.	Director
9	Star Paper Mills Ltd.	Director
10	Unimers India Ltd.	Director
11	Alfred Herbert (India) Ltd.	Director

Mr. Harsh Piramal is a Science graduate from Kings College London and has completed his MBA from The London Business School. He was formerly the Chief Operating Officer of the Allied Business of our Company. His other directorships in public limited companies are:

Sr. No.	Name of the Company	Designation / Membership of Board Committees
1	Morarjee Textiles Ltd.	Executive Vice Chairman
2	Piramal Holdings Ltd.	Director
3	NPIL Laboratories and Diagnostics Pvt. Ltd.	Director
4	NPIL Dr. Phadke Pathology Laboratories and Infertility Center Pvt. Ltd.	Director
5	NPIL – Dr. Golwilkar Laboratories Pvt.Ltd.	Director

7. 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 containing transactions in which directors are interested, is placed before the Board regularly.

Transactions with the related parties are disclosed in Note No. 12 of Schedule 22 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 complied with all the mandatory and non-mandatory requirements of the revised clause 49 of the Listing Agreement. The extent of compliance of the following non-mandatory requirements are given below:

- With regard to the requirement of the tenure of independent directors not exceeding a period of nine years, the same has been implemented with prospective effect i.e the tenure of nine years would be considered from their appointment/re-appointment from this year onwards.
- With regard to training of Board Members, the directors of the Company are continuously trained in the business model of the Company and the risk profile of business parameters through various presentations at Board/ Committee Meetings.
- The Company already has in place a system for evaluation of non executive directors, which is considered for the purpose of determining commission to be paid to non executive directors and also for recommending their re-appointment.
- With regard to Whistle Blower Policy, the Company is examining the formulation and implementation of the same, after which the same would be submitted to the Board.

8. Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.nicholaspiramal.com. These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like Economic Times.

The Company also regularly holds Analysts Meets where presentations are made on financial results as well as major events. These presentations are simultaneously posted on the Company's website for dissemination to investors.

- During the year, the Company circulated a booklet to its shareholders, giving financial and other information on its performance for the half-year ended 30th September 2004.
- Management Discussion & Analysis forms part of this Annual Report.

9. General Shareholder Information

a) Annual General Meeting

– Date and Time	:	7th July,2005 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 June 30, 2005	:	29th July, 2005
Half year ending September 30, 2005		20th October, 2005
Quarter ending December 31, 2005		19th January, 2006
Year ending March 31, 2006		25th April, 2006
Annual General Meeting for the year ending March 31, 2006		In June 2006

c) Date of book closure	1st July,2005 to 7th July, 2005
d) Dividend Payment Date	Within 5 days from AGM date
e) Registered Office	Nicholas Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400013. The Registered Office of the Company was shifted from 100, Centre Point, Dr. Ambedkar Road, Parel, Mumbai 400 012 to the above address in November, 2004.
f) Listing of Equity Shares on Stock Exchanges	The Stock Exchange, Mumbai (code : 500302); National Stock Exchange of India Ltd. (code : NICOLASPIR); Ahmedabad Stock Exchange (code : NICOLLAB);
g) Reuters code	NICH.BO
h) Bloomberg code	NP:IN

Stock market data

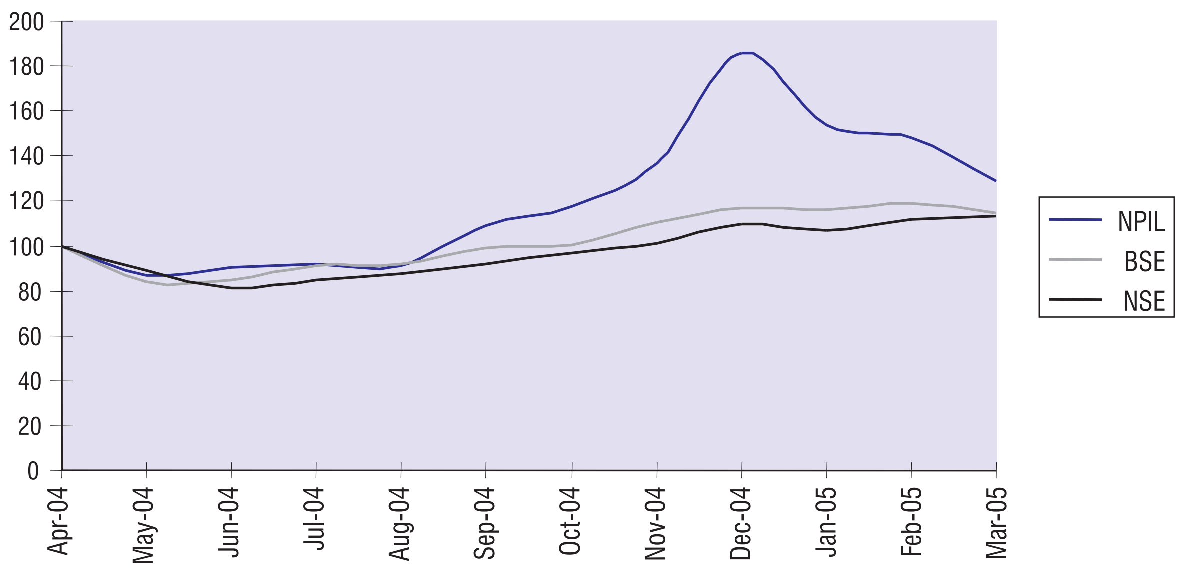
Month	The Stock Exchange, Mumbai			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Monthly volume	High (Rs.)	Low (Rs.)	Monthly volume
Apr-2004	864.95	741.05	580850	870.00	746.05	472560
May-2004	885.00	599.95	199713	889.95	600.00	433751
June-2004	817.00	703.00	209473	830.00	704.00	245482
July-2004	826.00	710.00	207877	820.00	725.00	297397
Aug-2004	817.00	765.00	204602	816.00	723.80	169962
Sept-2004	959.00	778.00	286956	960.00	767.00	419004
Oct-2004	1070.00	910.00	967054	1074.90	898.00	1085174
Nov-2004	1197.00	1001.00	350741	1209.95	1010.00	544434

The data given below represents the price of the Company's shares which were subdivided from one share of Rs.10/- to five shares of Rs.2/- each in December, 2004 .

Dec-2004	341.45	232.02	1272781	342.90	233.00	2818738
Jan-2005	329.00	239.00	2711263	330.80	238.10	5632653
Feb-2005	287.00	242.00	2045402	287.00	242.50	3943788
Mar-2005	292.00	220.00	4372975	300.00	221.05	5487351

j) **Stock Performance vs BSE Sensex and NSE-50**

The performance of the Company's Equity Shares relative to the BSE Sensitive Index (BSE Sensex) and S&P CNX Nifty (NSE-50) is given in the chart below. The graph relates to the monthly closing price / indices :



k) **Share Transfer Agents**

Nasik Processing Unit	Amtrac Management Services Limited Plot No.101/102, MIDC, Satpur, Nasik 422007 Tel. : (0253)- 2354032 – 2363372 Fax : (0253)-2351126 *(From Mumbai the dialing code is 95253 instead of 0253)* e-Mail : amtrac_nsk@sancharnet.in
Mumbai Administrative Office	Amtrac Management Services Limited Peninsula Centre, Dr.S.S.Rao Road, Parel, Mumbai-400 012 Tel : 24105685 e-Mail : vidula@bom3.vsnl.net.in

l) Share Transfer System

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

Mr. Ajay G. Piramal	Chairman
Mr. R. A. Shah	Member
Mrs. Urvi A. Piramal	Member

For administrative convenience and to facilitate speedy approvals, authority has also been delegated to senior executives to approve share transfers upto specified limits. Share transfers / transmissions approved by the Committee and 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 10 to 12 days from the date of receipt of complete documents. As at 31st March 2005 there were no Equity Shares pending for transfer. Also, there were no Demat requests pending as on 31st March, 2005.

Distribution of Equity Shareholding as on 31st March 2005

Slab of shareholdings	Shareholders	%	No. of Shares	%
1 to 100	45346	49.30	2077569	1.10
101 to 200	11474	12.47	1656791	0.87
201 to 500	23334	25.36	7383666	3.89
501 to 1000	8109	8.81	6161235	3.24
1001 to 5000	3220	3.50	6350511	3.34
5001 to 10000	186	0.20	1345577	0.71
10001 to 20000	111	0.12	1561472	0.82
20001 to 30000	33	0.04	831769	0.44
30001 to 40000	32	0.03	1158007	0.61
40001 to 50000	16	0.02	737424	0.39
50001 to 100000	24	0.03	1580180	0.83
Above 100000	108	0.12	159171804	83.76
Total	**91993**	**100.00**	**190016005**	**100.00**

According to categories of Equity Shareholders as on 31st March, 2005

Category	Equity Shares No. of shares held	%
A **Promoters Holding**		
1 – Indian Promoters	96545330	50.81
– Foreign Promoters	—	—
2 Person acting in concert	—	—
Sub-Total	**96545330**	**50.81**
B **Non Promoters Holding**		
3 Institutional Investors		
a Mutual Funds and UTI	4302272	2.26
b Banks, Financial Institutions, Insurance Companies, (Central/ State Govt., Institutions/Non Govt. Institutions)	7486316	3.94
c Foreign Institutional Investors	24197824	12.73
Sub-Total	**35986412**	**18.93**
4 **Others**		
a Private Corporate Bodies	4386867	2.31
b Indian Public	27421386	14.43
c Non Resident Indians/Overseas Corporate Bodies/	3128530	1.65
d Non Domestic Companies	22547480	11.87
Sub-Total	**57484263**	**30.26**
Grand Total	**190016005**	**100.00**

m) Dematerialisation of shares

As on 31st March 2005, 16,35,04,280 equity shares of face value of Rs.2/- each, (86.05% of the total number of shares) is in dematerialised form as compared to 3,23,00,468 equity shares of face value of Rs.10/- each (84.99% of the total number of shares) as on 31st March 2004.

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

There are no outstanding convertible warrants/instruments.

p) Plant Locations

- Plot No. 67-70, Sector II, Pithampur 454 775, M.P.
- Plot No.K-1, Additional M.I.D.C, Mahad, Dist. Raigad, Maharashtra
- L.B.S. Marg, Mulund (West) Mumbai 400 080.
- Balkum, Thane 400 608.
- Ennore Express Highway, Chennai 600 057.
- Digwal Village, Medak District, Andhra Pradesh
- Plot 903/904, GIDC Industrial Estate, Ankleshwar, Gujarat
- R&D Centre, Goregaon, Mumbai

Investors Correspondence

Leonard D'Souza
Company Secretary
Nicholas Piramal India Limited
Nicholas Piramal Tower,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400013.
Tel: 91-22-56636666 • Fax: 91-22- 56636466
email: **complianceofficer@nicholaspiramal.co.in**

Notice

NOTICE is hereby given that the 58th Annual General Meeting of the Members of **Nicholas Piramal India Limited** will be held at **Yashwantrao Chavan Pratisthan, Gen. Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021** on **Thursday** the **7th** day of **July, 2005** at **3.00 p.m.** 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 31st March, 2005 and the Reports of the Directors and Auditors thereon.

2. To declare dividends on preference and equity shares.

3. To appoint a Director in place of Mrs. Urvi A. Piramal, who retires by rotation and is eligible for re-appointment.

4. To appoint a Director in place of Mr. Y.H. Malegam, who retires by rotation and is eligible for re-appointment.

5. To appoint a Director in place of Mr. G.P. Goenka, who retires by rotation and is eligible for re-appointment.

6. 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 :

7. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

   "RESOLVED THAT Mr. Harsh A. Piramal, who was appointed by the Board of Directors of the Company w.e.f. 1st June 2004 as a Director, in the casual vacancy caused by the resignation of Mr. M.R. Shroff, under Section 262 of the Companies Act, 1956 read with Article 116 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

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

   "RESOLVED THAT pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force) and subject to all applicable approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall include Committee of Directors for the time being exercising the powers conferred by the Board of Directors), consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as "Flls") and by Non Resident Indian Investors (hereinafter referred to as "NRIs"), in the shares or other securities convertible into shares of the Company by purchase/acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that:

   a) the total holding of all FIIs and NRIs put together shall not exceed the overall limit of 49%; and

   b) within the said overall limit of 49%, the total NRIs holding shall not exceed 24%;

   of the paid up Equity Share Capital or paid up value of the respective securities convertible into shares of the Company as may be applicable;

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

9. To consider, and if thought fit, to pass, with or without modification(s), 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 Articles of Association, the Company do hereby renew the Special Resolution, authorising the payment of commission at the rate upto 1 per cent of the net profits of the Company in each year to the Directors (other than the Directors who are in the whole-time employment of the Company), for a further period of not more than 5 years commencing from the financial year ending 31st March 2006, 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 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."

10. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT consent of the shareholders be and is hereby accorded to the payment of fees to the Directors of the Company (other than the Directors who are in the whole-time employment of the Company) for attending meetings of the Board of Directors and/or Committee(s) thereof, of such amounts not exceeding the limits prescribed under the proviso to section 310(1) of the Companies Act 1956 or any statutory amendment thereto or re-enactment thereof and/or under any rules or regulations framed thereunder, as may be determined by the Board of Directors from time to time."

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. Book closure for this period namely **Friday, 1st July, 2005 to Thursday, 7th July, 2005** (both days inclusive) has been announced also for the purpose of ascertaining entitlement of Equity Shareholders to subscribe for the proposed Rights Equity Issue of the Company.

4. Dividend on preference shares and equity shares as recommended by the Directors for the financial year ended 31st March, 2005 when declared at the Meeting will be paid within 5 days from the date of the Meeting.

5. We are pleased to offer the facility of electronic credit of dividend directly to the respective bank accounts of our shareholders, through Electronic Clearing Service (ECS). This facility is currently available at the locations specified in the Mandate Form separately enclosed in this Annual Report. This is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not done earlier) are requested to complete and submit the Mandate form that is separately enclosed with this Annual Report, **to the Company's Share and Transfer Agent latest by 30th June 2005**. Kindly note that shareholders holding shares in dematerialised form would receive their dividend directly to the bank account nominated by them to their Depository Participant, as per SEBI directives.

6. 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 thereagainst. Kindly note that after such dates, the members will loose their right to claim such dividend.

Financial Year ended	Due date of transfer	Financial Year ended	Due date of transfer
31.03.1998	13.08.2005 16.10.2005*	31.03.2001	05.08.2008 05.08.2008*
31.03.1999	26.08.2006 05.06.2006* (Interim Dividend) 30.10.2006* (Final Dividend)	31.03.2002	21.07.2009
31.03.2000	10.06.2007 22.04.2007* (Interim Dividend) 21.10.2007* (Final Dividend)	31.03.2003	14.07.2010
		31.03.2004	25.07.2011

* These refer to the due dates for transfer of dividend declared by erstwhile Rhone-Poulenc India Limited

7. Pursuant to Section 205C of the Companies Act,1956 all unclaimed dividends upto the financial year ended 31st March, 1997 have been transferred to the Investor Education and Protection Fund.

8. 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.

9. Section 109A of the Companies Act, 1956 provides for **Nomination** by the shareholders of the Company in the prescribed Form No. 2B. Shareholders are requested to avail this facility.

10. Over the years, as a result of allotment of shares arising out of earlier mergers, it is possible that multiple folios have been created. In order to render better and efficient services, we request you to **consolidate the 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. In case you decide to consolidate your folios, you are requested to forward your share certificates to the Company's Share Transfer Agent at their Nasik address.

11. Directors

    Mrs. Urvi A. Piramal, Mr. Y.H. Malegam and Mr. G. P. Goenka are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Approval of the shareholders is also being sought for the appointment of Mr. Harsh A. Piramal, who was appointed by the Board in the casual vacancy caused by the resignation of Mr. M.R. Shroff, and who holds office upto the date of this Annual General Meeting.

    The information/shareholding to be provided for these Directors under the Corporate Governance Code of the Listing Agreement, are given in the Corporate Governance Section of this Annual Report.

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

Dated: 31st May, 2005

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. 7

Mr. Harsh A. Piramal was appointed by the Board w.e.f. 1st June, 2004, as Director, under Section 262 of the Companies Act, 1956 ("the Act") and Article 116 of the Articles of Association of the Company, in the casual vacancy caused by the resignation of Mr. M.R. Shroff, and holds office upto the date of this Annual General Meeting.

Mr. Harsh Piramal is 31 years of age. He is a science graduate from King's College London and has completed his MBA from London Business School. He was formerly the Chief Operating Officer of the allied businesses of the Company.

Mr. Harsh Piramal is presently the Jt. Managing Director of Morarjee Textiles Limited. Referance may also be made to the Corporate Governance Section of this Annual Report where further details of Mr. Harsh Piramal are given pursuant to the requirements of the revised Clause 49 of the Listing Agreement.

As required under section 257 of the Act, the Company has received a joint notice alongwith deposit, from some members proposing the candidature of Mr. Harsh Piramal as Director of the Company.

The Board recommends the resolution appearing at Item No.7 of the accompanying Notice seeking your approval to the appointment of Mr. Harsh Piramal as Director of the Company.

As it concerns him, Mr. Harsh Piramal is deemed to be concerned and interested in this resolution. Mrs. Urvi A. Piramal, Director, being the relative (as defined under Section 6 of the Act) of Mr. Harsh Piramal, is also deemed to be concerned and interested in the said Resolution.

Item No. 8

Pursuant to the liberalisation measures mooted by the Government of India, the Reserve Bank of India by amending the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulation 2000, has raised the limit of investment by Foreign Institutional Investors (FII), upto the sectoral cap/statutory limit as applicable to Indian companies (the sectoral cap for your Company, being in the pharmaceutical industry, is 100%), subject to the approval of the Board of Directors and approval of Members of the Company by way of a Special Resolution. Similarly, subject as aforesaid, the limit for Non Resident Shareholders (NRI) has been increased to 24%.

The Board of Directors of the Company at its meeting held on April 26, 2005,inter alia, approved, subject to the approval of Members by way of a Special Resolution, to enhance the said FII investment limit to 49 per cent of the paid up Equity Capital of the Company. The increase in the FII limit to 49 per cent will result in increased weightage of the Company's share in benchmarking international stock market indices. Large number of FIIs direct their investments on the basis of these benchmark indices and accordingly, the increase in FII limit will be beneficial to the Company. It is also proposed to increase the NRI limit to 24%, which would be within the overall FII limit of 49%.

The Resolution set out at item 8 of the accompanying Notice will enable the FIIs/NRIs, who are considered to be prudent investors, to acquire shares of the Company through authorised dealers within the revised ceiling, under the Portfolio Investment Scheme of FEMA.

Your Directors, therefore, recommend the resolution for your approval.

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

Item No. 9

A commission upto one per cent 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 5th July 2001, for a period of not more than five years commencing from the financial year ended 31st March, 2001. Under the provisions of section 309(7) of the Companies Act, 1956, the aforesaid resolution can be renewed from time to time by a Special Resolution for further periods of not more than five years each. Since the aforesaid Special Resolution has fallen 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 current financial year ending on 31st March, 2006. It may be noted that though shareholders have been granting their consent for payment of commission upto 1% of the net profits of the Company, the actual commission paid to Non-exeutive Directors has always been far below this limit. It may also be noted that for the Financial Year ended 31st March 2005, the Board has decided not to distribute commission to Non-executive Directors in view of the performance of the Company for the said year being below expectations.

All the Directors of the Company except the whole time Directors are deemed to be concerned or interested in the Resolutions set out at Item No.9 of the Notice to the extent of the commission that may be received by them.

Item No. 10

In terms of the revised clause 49 of the listing agreement with the Stock Exchanges, all fees/compensation to be paid to non-executive directors are to be fixed by the Board and require the previous approval of the shareholders in general meeting. There are conflicting views as to whether this requirement applies to payment of sitting fees, which in terms of the proviso to section 310(1) of the Companies Act 1956, does not require such approval provided it is within the prescribed limits. However, out of abundant caution, approval of the shareholders is being sought to payment of sitting fees to non-executive Directors of the Company.

At present, non-executive Directors are paid sitting fees of Rs.10,000 per meeting of the Board or Committee thereof in terms of the resolution passed by the Board of Directors at its Meeting held on 26th December 2003, while the maximum prescribed under the proviso to section 310(1) of the Companies Act 1956 is Rs.20,000 per meeting.

The Board recommends the resolution for your approval.

All the non-executive Directors of the Company are deemed to be concerned or interested in the Resolution set out at Item No.10 of the Notice since it relates to payment of sitting fees for Board/Committee Meetings attended by them.

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

By Order of the Board

Leonard D'Souza
Company Secretary

Dated: 31st May, 2005

Directors' Report

Dear Shareholders,

Your Board of Directors takes pleasure in presenting the 58th Annual Report and the Audited Accounts of the Company for the Year ended 31st March 2005.

PERFORMANCE HIGHLIGHTS:

Rs. million

Year ended 31 March	2005	2004	%Growth
Net Sales	12322.5	12,690.5	(2.9)
Operating other income	260.2	198.8	30.9
Total operating income	12582.7	12,889.3	(2.4)
OPBIDTA	1737.9	2,575.8	(32.5)
% margin	13.8	20.0	-
Non-operating other income	178.0	44.5	300.0
EBIDTA	1915.9	2,620.3	(26.9)
Less:			
Interest (Net)	175.0	164.2	6.6
Depreciation	474.2	410.9	15.4
Profit before tax and extraordinary items	1266.7	2,045.2	(38.1)
Less:			
Extraordinary items including restructuring cost	(796.2)	216.9	(467.1)
Less:			
Income tax provision	367.2	(51.8)	(808.9)
– Current	152.2	132.2	
– Deferred	215.0	(184.0)	
Profit after tax	1695.7	1,880.1	(9.8)
% margin	13.8	14.8	—
Add:			
Profit brought forward from previous year	1317.9	1,799.6	
Profit available for appropriation	3013.6	3,679.7	
Appropriation:			
Proposed dividend on equity shares	570.1	570.1	
Distribution tax thereon	80.0	73.0	
Proposed dividend on preference shares	28.2	9.0	
Proposed dividend on preference shares to be allotted	-	7.6	
Distribution tax thereon	4.0	2.1	
Transfer to general reserve	169.6	1,700.0	
Balance carried to balance sheet	2161.7	1,317.9	
Earnings per share (Basic/Diluted) (Rs.) Face value Rs.2/- per share	8.8	9.8	

SUB DIVISION OF SHARES

During the year under report, (a) each of 5,00,00,000 equity shares of the nominal value of Rs.10/- in the share capital of the Company have been subdivided into 5 (Five) equity shares of Rs.2/- each, and (b) each of 2,10,00,000 unissued unclassified shares of the nominal value of Rs.10/- in the share capital of the Company have been sub divided into 5 (Five) unclassified shares of Rs.2/- each, with the approval of shareholders obtained by means of Postal Ballot Process.

DIVIDEND

Preference Shares

Your Board has recommend dividend on Preference Shares as under:

a) @6%, on 15,00,000-6% Redeemable Preference Shares of Rs.100 each;

b) @5%, on 15,00,000-5% Cumulative Redeemable Preference Shares of Rs.100/- each;

c) @5%, on 2,33,72,280-5% Cumulative Redeemable Preference Shares of Rs.10/- each;

Equity Shares

Your directors are pleased to maintain the dividend at last year's level despite the performance of the fourth quarter of FY2005 not being upto expectations, for reasons, which include one-time aberrations beyond the control of the Company. Your Board has accordingly recommended a dividend of Rs.3 i.e. @150% per equity share of Rs.2/- for the year ended 31st March,2005 (FY 2004: Rs.15.00 per share of Face Value of Rs.10/- @150%).

Total cash outflow on account of these dividend payments (equity and preference) including distribution tax will be Rs. 682.3 million. (FY2004 Rs.661.8 million).

Dividend on the preference shares and equity shares will be paid to the eligible shareholders within 5 days of the approval by the shareholders at the forthcoming Annual General Meeting.

OPERATIONS REVIEW:

The financial year 2004-05 presented a challenging business environment for your Company. The year witnessed the Government announce Maximum Retail Price (MRP) based Excise duty, boycott by retail chemists of narcotic and psychotropic drugs, and severe de-stocking by distributors & retail chemists due to implementation of Value Added Tax (VAT) from 01 April 2005.

These developments - coupled with our portfolio changes such as the return of certain biotech formulation and diagnostics products to F. Hoffman La Roche and Roche Diagnostics respectively - reduced the Sales, Operating Profits and Net Profits of our Company, severely in Q4 and overall in compared to the financial year 2003-04.

During the year, Net Sales were Rs. 12,322.5 million (FY2004: Rs. 12,690.5 million), a decrease of 2.9%. OPM value and margin were Rs. 1,737.9 million and 13.8% respectively (FY2004: Rs. 2,575.8 million and 20.0%), representing a de-growth of 32.1%.

Profit after tax and PAT margin were Rs. 1,695.7 million and 13.8% (FY2004: Rs. 1,880.1 million and 14.8%), registering a de-growth of 9.6%.

On the Exports front, Nicholas Piramal continued building on its differentiated Exports strategy of collaborating with innovator companies for Custom Manufacturing contracts. We secured two additional contracts during the year, one with Allergan Inc., USA for two anti-Glucoma APIs and the other with a Fortune-500 Company for formulations sales to US market. Our Company ended the year with Export Sales of **Rs. 1.6 billion, which represented 13.2% of Net Sales**.

A detailed performance analysis of the businesses is given in the Management Discussion and Analysis section.

RESEARCH & DEVELOPMENT:

On 10 November 2004, The Honourable President of India Dr. A. P. J. Abdul Kalam inaugurated our Company's new Research Center at Goregaon, Mumbai. The Center built at a cost of **Rs. 700 million**, is spread over 200,000 square feet and has advanced facilities for:

1. New Chemical Entity research (NCE).

2. Novel Drug Delivery Systems research (NDDS), and

3. Process Development program – Formulations & API.

The different research units, which have been recognized by the Department of Science and Technology, Government of India, have cross-functional teams that enable effective project management and sharing of skills. R&D revenue expenditure in FY2005 was **Rs.495.4 million**, compared with **Rs.287.0 million** in FY2004.

NCE research:

Nicholas Piramal is currently working in three main therapeutic areas, viz., Oncology, Diabetes and Rheumatology. All the lead molecules in these areas are in pre-clinical stage. Our Oncology lead molecule has exhibited good progress, based on which we are in the process of commencing Phase-I trials for the molecule.

NDDS research:

The goal of the NDDS Division is to develop novel formulations of already approved drugs and, in the longer term, to develop innovative technology platforms. It is working on developing products for the domestic market and developing platform technologies.

Process development group:

The mandate of this Group is to generate Process IPR, working closely with the API and Formulations businesses - especially the Custom Manufacturing team.

Clinical Research:

This Group manages our high quality Wellquest CRO, located at Panel, Mumbai. The CRO has a capacity of 60 beds and an ICU of 6 beds.

SUBSIDIARY COMPANIES:

Pathlabs:

Our Pathological Laboratories business continued to expand in FY2005. Business operations continue to be organized around regional Pathlabs with strong franchise. The performance of Pathlabs is as under:

Rs. million

No.	Pathlabs name	NPIL Ownership %	FY2005		
			Income	PBIDT	PAT
1	NPIL Laboratories and Diagnostics Pvt. Ltd.	100	211.1	65.7	19.9
	FY2004		149.4	36.9	17.9
2	NPIL – Dr. Phadke Pathology Laboratory & Infertility Center Pvt. Ltd. 60	115.5	27.5	7.0	
	FY2004		88.3	23.1	12.1
3	NPIL – Dr. Golwilkar Laboratories Pvt. Ltd.	70	39.3	7.5	1.4
	FY2004		34.0	7.1	3.5

In response to the Company's application, the Central Government has granted exemption under sub section (8) of section 212 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 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 for the year ended 31st March 2005, can also be sought by any investor of the Company or its subsidiaries on making a written request to 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 its subsidiaries registered office.

JOINT VENTURES:

1. **Boots Piramal Healthcare Pvt. Ltd. ('BPHL'):**

   BPHL is a 51:49 Joint Venture between Boots Plc., UK and Nicholas Piramal.

   In FY2005, BPHL Net Sales declined by 14.5% to Rs. 651.6 million.

   PBIDT during the year was Rs. 175.7 million, a decrease of 14.1% compared with Rs.204.5 million in FY2004. Profit after tax decreased by 21.1% for FY2005 at Rs.91.7 million, compared with FY2004 value of Rs. 116.3 million.

2. **Allergan India Limited ('AIL'):**

   AIL is a 51:49 Joint Venture between Allergan Inc., USA and Nicholas Piramal.

   During FY2005, AIL grew Net Sales at 5.1% to Rs. 900.7 million (FY2004 Net Sales: Rs. 857.4 million).

   PBIDT for FY2005 was Rs.188.6 million, compared with FY2004 Rs. 174.8 million, a growth of 7.9%. Profit after tax for FY2005 was Rs. 104.7 million, compared with FY2004 value of Rs. 96.7 million, a growth of 8.3%.

INDUSTRY OUTLOOK:

The domestic formulations market continued to experience modest single digit growth through first nine months of the year. In January 2005, India moved to the new patent regime, marking a fundamental shift in the way Indian companies will compete in the future.

On the domestic market front, starting January 2005, there have been a number of adverse developments such as introduction of Maximum Retail Price (MRP)-based Excise duty on Pharmaceuticals, chemists boycott of psychotropic/narcotic drugs, and trade channel's down stocking in anticipation of Value Added Tax ("VAT") regime effective 01 April 2005. These developments severely impacted our Company's Sales and profitability in Q4FY2005. We believe the adverse revenue impact of these factors is short-term, and market should recover its normal growth trend.

On the Exports front, new players continued to enter the Generics segment, amplifying margin pressure being faced by existing players due to authorized generics. Innovator companies continued to increase focus on productivity and cost improvement. This augurs well for custom manufacturing companies such as ours, which have a strong India advantage and across-the-spectrum product offering.

INTERNAL CONTROL SYSTEM:

The Audit Committee of the Board addresses significant issues raised by the Internal Auditors and the Statutory Auditors.

DISCLOSURES REGARDING STOCK OPTIONS

Pursuant to the applicable requirements 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 "Nicholas Piramal India Ltd.- Employee Stock Ownership Plan -2002" ["NPIL ESOP Scheme"]. Since the equity shares of NPIL were split from one share of Rs.10 to 5 shares of Rs.2 each in December 2004, the number of options mentioned below have been given with reference to the split share of Rs.2 each.

Sr. No.	Requirements	Disclosures
(i)	Options Granted during FY05	14,78,000
(ii)	Pricing Formula	The option price is determined by the Remuneration Committee and is subject to limit not exceeding the higher of:
		(a) market price on the date of grant ; or
		(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
		(c) the issue price of any such shares or securities, if the same have been issued within three months prior to the option.
(iii)	Options Vested	4,55,625 (in respect of Options granted during FY04).
(iv)	Options Exercised	55,075 (out of Options vested as mentioned in (iii) above)
(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	Nil
(vii)	Variation of terms of Options	Nil
(viii)	Total number of Options in force	2,95,600 (in respect of Options granted during FY05) 1,80,250 (in respect of Options granted during FY04)
(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 receive a grant in any one year of options amounting to 5% or more of options granted during that year	The following employees have received a grant amounting to 5% or more of Options granted during FY05: a) Mr. Vijay Shah – Whole time Director designated as Chief Operating Officer; b) Dr. Somesh Sharma – Chief Scientific Officer c) Mr. Santhanam – President – Finance & Legal and 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 NPIL 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 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 exercise of Stock Options.

HUMAN RESOURCES:

The Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 is annexed and forms part of the Report.
NPIL had staff strength of 5,989 employees (FY2004: 5,880 employees) as at 31 March 2005.

No.	Function	31 March 2005	31 March 2004	+/(-)
	Total manpower	5,989	5,880	109
a.	Field staff	3,165	3,279	(114)
b.	R&D staff	275	255	20
c.	Others	2,549	2,346	203

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 31 March 2005 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:

Mrs. Urvi A. Piramal, Mr. Y. H. Malegam and Mr. G. P. Goenka retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment, which your Board recommends.

Mr. Harsh Piramal, who was appointed as Director w.e.f. 1st June 2004, in the casual vacancy of Mr. M.R. Shroff, holds office upto the date of the Annual General Meeting (AGM). Your approval is sought for his appointment vide resolution set out at Item No.7 of the accompanying AGM Notice.

CORPORATE GOVERNANCE:

Your Company has complied with the mandatory provisions of Corporate Governance as prescribed in the revised 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, Practising Company Secretary.

In compliance with one of the new Corporate Governance requirements as per the revised clause 49 of the Listing Agreement, the Company has implemented a Code of Conduct for all its Board members, who have affirmed compliance thereto. A Code of Conduct has also been formulated and implemented for the senior management of the Company. The said Codes of Conduct have been posted on the Company's website.

FIXED DEPOSIT:

The Company has discontinued accepting / renewing fixed deposits since the last three years and repays the same as and when falling due. Fixed Deposits from the public and shareholders amounting to Rs. 293,000 (FY2004: 395,000), have remained unpaid as on 31st March, 2005 for want of instructions from the deposit holders.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

Particulars required under Section 217 (I) (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.

AUDITORS:

Shareholders are requested to appoint the Auditors to the Company. Messrs. Price Waterhouse, Mumbai retire as Auditors of the Company at the ensuing Annual General Meeting and are eligible for reappointment.

ACKNOWLEDGEMENTS:

We take this opportunity to thank the employees for their dedicated service and contribution towards the growth of 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 alliance and joint venture partners, banks, financial institutions, shareholders and other business associates for their continued support towards conduct of efficient operations of the Company.

By Order of the Board

Ajay G. Piramal
Chairman
Mumbai: 26 April 2005

Particulars under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the year ended 31st March 2005

Conservation of Energy

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

Pithampur Plant

1. Installation of transformer with online tape charger (OLTC) to maintain constant voltage, thereby leading to reduction in power consumption.
2. Installation of automatic power factor control panels to improve power factor, which helps in curtailing loss of electricity.
3. Installation of dehumidifier with heat recovery unit (HRU) to reduce steam consumption. Such recovery of heat reduces energy consumption.
4. Condensate recovery from dehumidifiers, which is re-circulated in boilers, leading to conservation in energy.
5. Installation of digital data controllers on air handling units, to control temperature and relative humidity, thereby saving energy by reducing the load on chilling plant.

Haemaccel Plant

1. Installation of variable frequency drives on selected HVAC (Heating, Ventilation & Air-conditioning) Systems to reduce power consumption.
2. Rationalisation of illumination levels in various areas within the plant and for street lighting.
3. Reduction in contract demand for electricity as well as PNG (pipelined natural gas).

Mahad Plant

1. Installation of auto cut-off timers on Effluent Treatment Plant (ETP) Air Blowers and Ventilators, leading to savings in power consumption;
2. Metalic fans replaced by lighter FRP fans on Cooling Towers, leading to savings in power consumption.
3. A.C. drives fixed on liquid filling machines and tablet coating machines, leading to savings in power consumption.
4. Power factor maintained to UNITY (1) by fitting capacitors at appropriate locations thereby, avoiding energy losses.

VFCD Plant

1. Installation of 'De Super' heaters carrying hot water to the Boiler, thereby reducing load on the cooling tower, leading to increase in efficiency and capacity of the cooling tower and also savings in furnace oil consumption.
2. Installation of soft starters thereby enabling high HP motors to start smoothly leading to savings in energy.
3. Installation of energy efficient motors with pumps in refrigeration and ejector sections, which has led to enhanced performance.
4. Installation of seal-less pump in Sulzer column fractionation, which has enabled switching over from 7.5 HP to 0.75HP, thereby leading to savings in energy.

Digwal Plant

1. Primary Circulation Pumps replaced with Closed Circuit Circulation System in Chilled Brine Plant and Chilled Water Plant, leading to savings in power consumption.
2. Implemented recycle system of steam condensate for use in boiler, leading to savings in water consumption.

Ennore Plant

1. Surrender of maximum demand of 300 KW to Tamil Nadu Electricity Board (TNEB).
2. Conducted an energy audit to identify areas where loss of steam can be arrested, implemented steam leakage prevention and Condensate Recycle System.
3. Introduced Diffused Aeration System in Effluent Treatment Plant in place of Surface Aerators, which used to be energy intensive.
4. Re-designed Ejector Cooling Tower thereby increasing efficiency.

FORM A

	For the year ended 31st March, 2005	For the year ended 31st March, 2004
A. Power and Fuel Consumption		
1. Gas and Electricity		
a. (i) Gas		
Unit (000M3)	554.83	416.37
Total Amount (Rs. In Lakhs)	52.15	39.07
Rate/Unit (Rs.)	9.40	9.38
(ii) Electricity		
Unit (000)	38349.86	27192.23
Total Amount (Rs. In Lakhs)	1616.90	1191.29
Rate/Unit (Rs.)	4.22	4.38
b. Own Generation from :		
(i) Diesel Generator		
Unit (000)	850.00	865.67
Total Amount (Rs. In Lakhs)	81.24	63.78
Rate/Unit (Rs.)	9.56	7.37
(ii) Steam Turbine/Generator		
Unit (000)	—	—
Total Amount (Rs. In Lakhs)	—	—
Rate/Unit (Rs.)	—	—
2. Coal		
Qty. (Tonnes)	13003.78	7234.67
Total Cost (Rs. In Lakhs)	328.62	165.33
Cost/ Unit (Rs.)	2.53	2.29
3. Furnace Oil, LSHS & L. D. Oil		
Qty. (K. Ltrs.)	2943.70	2647.39
Total Cost (Rs. In Lakhs)	362.66	287.93
Average/K. Ltrs. (Rs.)	12319.69	10875.87
4. Other/Internal Generation		
Qty.	—	—
Total Cost	—	—
Average Rate	—	—

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

The Operation 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

- The Company is engaged in the discovery and development of new chemical entities (NCE's) in the following therapeutic areas:
  - Oncology
  - Diabetes / Metabolic Syndrome
  - Inflammation
  - Infectious Diseases
- The Pharmaceutical R&D (Formulations) group undertakes development of conventional as well as controlled release and topical dosage forms of drugs across all major therapeutic areas in which the Company markets drugs in India and abroad.
  - The group has also started research in newer platform technologies for novel drug delivery systems (NDDS).
- The Company continues to engage in building a strong natural products library as a source of diverse chemicals for drug leads in various therapeutic areas.
- Wellquest, the Company's clinical research organization, independently offers clinical trial services to Indian and overseas pharmaceutical companies.

2. Benefits derived as a result of the above

The benefits to be derived from the above R&D, including discovery of new chemical entities, new dosage forms, new delivery systems, etc., are long term in nature and are expected to be realized after undergoing various clinical and other trials and receiving approval of various health authorities in India and abroad.

The Company's R&D efforts have led to the discovery of a proprietary lead drug candidate P276-00, a tumor-selective *intra-venous* injectible formulation, for which the Company has completed regulatory filings to start Phase I human clinical trials.

3. Future plan of Action

- **New Chemical Entities (NCE's):**
  - Oncology: Continue development and complete human clinical trials for the lead drug candidate P276-00, a tumor-selective, *intra-venous* injectible formulation;
  - Inflammation: Select development candidate for an oral, small molecule drug for Rheumatoid Arthritis;
  - Diabetes / Metabolic Syndrome & Infectious Diseases: Continue screening for hits;
- **Pharmaceutical R&D (Formulations):**
  - Continue rapid and cost-effective development of conventional as well as controlled release and topical dosage forms of drugs for domestic and export markets.
  - Novel Drug Delivery Systems (NDDS): Select one or two key platform technologies for further research and development.
- **Natural products library:** Explore partnerships and screening collaborations with biotechnology and pharmaceutical companies to maximize value.
- **Wellquest CRO:** Undertake Phase I-III clinical trials in addition to bioequivalence studies.

4. Expenditure on R&D

	(Rs. in Million)
– Capital	589.0
– Recurring	495.4
– Total	1084.4
– Total R&D expenditure as percentage to sales	7.8%

5. Technology Absorption, Adaptation and Innovation

a) Pithampur Plant
- Developed indigenous spares for format change parts of imported Blister Packing Machine and indigenous seals for imported Granulating Machine;
- Reduction of wastages of plactic resins by incorporating new design of moulds for the Blow-Fill-Seal machine.

b) Haemaccel Plant
- Development of indigenous spares for imported Blow-Fill-Seal machine;
- Reduction in consumption of polypropylene granules through process improvements;
- Installation of new super-heated water sterilizers for terminal sterilization of bottles at 121 deg. C, which would lead to water conservation.

c) Mahad Plant
- Introduced mechanised loading and unloading system in stores.
- All liquid products transferred to the upgraded manufacturing facility complying with international regulatory requirements.

d) VFCD
- Extraction column with glass ball packings replaced with ceramic inter-lock saddle, thereby improving quality in MVK (Methyl Vinyl Ketone - intermediate in synthesis of Vitamin A) extraction process.
- Introduction of Agitated Nutsch Filter in place of Centrifuge for Oxenine process, thereby improving safety and leading to savings in power consumption.

e) Digwal Plant
- Process improvement achieved by introducing reagent recovery from the mother liquor, which was earlier flushed out as effluent to the Effluent Treatment Plant (ETP), thereby reducing the load on the ETP.
- Process improvement also achieved by reduction of solvent usage and operational load of an intermediate of an existing Active Pharmaceutical Ingredient (API), by reducing one step of manufacturing.
- Two APIs developed in-house and scaled up for commercial production. US Drug Master File (DMF) filed for one of them.

f) Ennore Plant
- Improvements were carried out in an existing API, by changing the process for two of the key intermediates and improving solvent recoveries and reuse, to make it cost effective and environment friendly.

6. Foreign Exchange Earnings and Outgo

During the year, foreign exchange earnings were Rs.2218.9 million as against outgo of Rs.2427.7 million.

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 referred to in the Directors' Report for the year ended March 31, 2005 and forming part thereof of showing names and other particulars of the employees who were employed throughout the year and were in receipt of remuneration for the year in the aggregate of not less than Rs.24,00,000/- or not less than Rs.2,00,000/- per month in respect of those who were employed for part of the year.

Name	Age	Qualification	Designation	Date of Joining	Experience	Remuneration Rs.	Last Employment & Position Held
Ananthanarayanan R. (Dr.) *	40	B. Pharm., Ph.D	President – Business Development CMG	21.10.02	17	359452	Galpharm International Ltd. M.D. – Asian Operations
Asaikar Umesh	49	B. Tech., M.M.S., A.I.C.W.A.	President – VFCD	11.07.91	26	2685076	Omar Zawawi Estd., Muscat Trading & Mfg. – Manager Project
Athreya Shankar	36	B. Com., F.C.A.	Sr. Vice President Strategic Investments (M & A)	3.11.03	12	2563266	ENAM Financial Consultants Sr. Vice President
Bansi Lal (Dr.)	59	M.Sc., Ph.D	President – R&D Institute of Life Sciences	16.12.74	39	2562236	Hoechst Marion Roussel Ltd. Vice President – Research
Bansod Dhananjay R	45	B.Sc., MSM, DMM	President – HRD	29.11.02	22	2606219	Consindia HR Services President– H.R. Consulting
Bhatia Satish C. (Dr.) *	60	B.Sc.,M.Sc., Ph.D. (Biochemistry)	President – Clinical Research & Regulatory Affairs	09.09.99	36	2879572	Ranbaxy Laboratories Director
Bhatt A. K.	52	M. Pharm.	President – Operations Formulations	4.12.91	28	2842873	Plethico Pharmaceuticals Chief Production Manager
Bobhate Shailendra V.	41	B. Chem. Engg. PGDM	President – Supply Chain Manufacturing & XL Division	6.4.01	17	3529192	Heinz India G. M. – Logistics & Distribution
Chauhan Vijay Dr.	52	MD (Ayurvedic)	V.P. – R & D, Herbals	01.08.03	25	2624086	Ranbaxy Research Laboratories Vice President – Herbal Drug Research
Chawla Harish	56	B. Sc., B.E.	President – Information Technology	1.5.03	34	4555584	IBM Global Services Chief Information Officer
Gad Narayan B.	54	B.Sc., M.B.A. M.M.S.	President – Sales & Marketing Multispeciality, Anant, Aakar, and Zivon	01.01.01	27	3615650	Wockhardt Limited Vice President – Marketing
Garg Neeraj	33	B.E., MBA	V.P. – Sales & Marketing Cardex, Carex, Cadence, E.C. and Biotek	07.01.03	9	2850619	A.T. Kearney Ltd. Senior Associate
Iyer Bhasker *	49	B.Sc.,M.M.M.	President – Sales & Marketing Cardex Division	27.3.02	28	1718166	ICI India Ltd. General Manager
Krishnakumar V.	31	MBA	V.P. – Strategic Planning	01.04.03	7	3128996	McKinsey & Co. Engagement Manager
Mahadevan Ajit	36	B.Sc., MBA	V. P. – Group Strategic Planning	11.2.02	11	2979918	Accenture Engagement Manager
Makhey Darshan Dr.	38	M.Pharm Ph. D.	V.P. – Corporate Regulaory Affairs	20.01.03	15	2985569	Sanofi Aventis, USA Director – Global Regulatary Affairs
Mehta Girish	39	B. Tech.	V.P. – Pathlab	01.12.2000	17	2577752	Piramal Enterprises Ltd. V.P. – Strategy
Mukhopadyay T. (Dr.) *	52	Ph. D.	V. P. – R&D	1.10.98	26	2189151	M. S. University, Baroda Lecturer
Nakra Rajendra *	53	B. Tech., MBA	Executive Director Custom Mfg. Group	14.06.04	30	5484121	Sanmar Speciality Chemicals Ltd. Chief Executive
Nerurkar Maneesh J. (Dr.) *	39	M.S. (Hons.) Ph. D.	V.P. – Pharma R & D	12.04.04	20	2790135	Merck & Co. Associate Director
Piramal Ajay G.	49	B.Sc., M.M.S. (Bom.) A.M.P.(Harvard)	Chairman	01.04.97	27	23712590	Morarjee Goculdas Spg.& Wvg. Co. Ltd. Chairman & Managing Director

Name	Age	Qualification	Designation	Date of Joining	Experience	Remuneration Rs.	Last Employment & Position Held
Piramal Swati A. (Smt) (Dr)	49	M.B.B.S.,D.I.M. M.P.B. (Harvard)	Director – Strategic Alliances & Communications	01.10.94	24	10976949	Gopikrishna Piramal Memorial Hospital – Medical Director
Rajadnye Kedar	33	B.E., MMS	V.P. – Sales & Marketing Actis & Glotek	01.03.04	9	2405601	Hindustan Lever Ltd. Regional Sales Manager
Saigal J.C.	66	M.Sc., M. Pharm.	Executive Director (International) Bulk Drugs Div.	17.10.83	39	3438200	Astra Indl Ltd. Technical Controller
Santhanam N	56	B.Com., F.C.A.	Group President – Finance & Legal and Chief Financial Officer	26.12.01	33	5579334	The Bombay Dyeing & Mfg. Co.Ltd. Group Sr. V. P.– (Corporate Affairs)
Sengupta S. S.	52	B. Sc. M.B.A. (IIMA)	C.E.O. – S. P. Div.	1.7.98	28	4568226	Alembic Chemicals Works Co. Ltd. Sr. V. P. – Marketing
Shah Vijay	47	B.Com., F.C.A., AMP (Harvard)	Chief Operating Officer	14.12.87	24	12669761	Management Structure & Systems Pvt.Ltd. Sr. Consultant
Sharma Somesh (Dr)	61	Ph.D.	Chief Scientific Officer	21.10.02	28	11454270	Monoclonal Antibody & Vaccine Business Unit, Anosys Inc. California Sr. Vice President
Sivaramakrishnan H Dr.	52	Ph.D.	President – R&D	03.04.03	26	3316835	Hikal Ltd., Bangalore Vice President – R & D
Singh Praneet	38	B. Tech., MBA	Director – Domestic Formulations Business	3.4.03	14	6292751	McKinsey & Co. Engagement Manager
Varghese George	55	B.Sc. Post Grad. in Mktg. & Sales Mgmt.	Sr. V.P. – Diagnostics	01.04.96	34	3182635	Boehringer Mannheim India Ltd. V. P. – Marketing
Verma Rajiv	51	B. Tech.	Sr. Vice President – Sales & Marketing CMG	27.3.02	29	2824289	ICI India Ltd. G. M. – Works

* Employed for part of the year.

Notes:

1. The appointment of all employees is subject to the rules & regulations of the company in force from time to time and is not contractual except that of the Chairman and Executive Directors.
2. Remuneration includes salary, company's contribution to provident & superannuation funds, medical expenses, house rent allowance, leave travel assistance, commission to directors, taxable value of perquisites and other allowances as per company's rules.
3. None of the employees except the following is related to any director of the company :

   Dr.(Smt.) Swati A. Piramal is the wife of Shri Ajay G. Piramal.

AUDITORS' REPORT TO THE MEMBERS OF NICHOLAS PIRAMAL INDIA LIMITED

1. We have audited the attached Balance Sheet of Nicholas Piramal India Limited, as at March 31, 2005, 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 of the Company, as on March 31, 2005 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on March 31, 2005 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, 2005;

      (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.

Partha Ghosh
Partner
Membership Number F-055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, Dated: April 26, 2005

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Nicholas Piramal India Limited on the financial statements for the year ended March 31, 2005]

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, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventory (excluding stocks with third parties and materials in transit) 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 and have been properly dealt with in the books of account.

3. (a) The Company has granted unsecured loans, to five 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.2,323 lakhs and Rs.202 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. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased /sold and services rendered / received are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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 of account 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, having regard to the fact that certain items purchased / sold and services rendered / received are of a special nature and suitable alternative sources do not exist for obtaining comparative quotations, 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 or the prices at which the transactions for similar goods have been made with other parties.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

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 in respect of bulk drugs and formulations. 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, Wealth Tax, Sales-Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues as applicable, with the appropriate authorities.

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, 2005 which have not been deposited on account of a dispute are as follows -

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited (Rs. Lakhs)	Periods to which the amount relates	Forum where the dispute is pending
The Central Excise Act,1944	Excise duty including interest and penalty, as applicable	2,928	1990-2005	Appellate Authority – upto Commissioner's Level
		509	1996-2003	CEGAT
		259	2000-2002	High Court
		384	1995-2003	Supreme Court
Central Sales Tax Act and Local Sales Tax Act	Sales Tax including interest and penalty, as applicable	396	1991-2003	Appellate Authority–upto Commissioner's Level
		53	1997-2003	Tribunal
Income-tax Act, 1961	Income tax including interest and penalty, as applicable	9,282	1997-98 to 2004-05	Appellate Authority–upto Commissioner's level
		124	1999-2000	Income Tax Appellate Tribunal

10. The Company has no accumulated losses as at March 31, 2005 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 or debenture holders 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 Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

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 or charge in respect of debentures 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 of account 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.

Partha Ghosh
Partner
Membership Number F-055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, Dated: April 26, 2005

Balance Sheet as at March 31, 2005

	Schedule No.	As at March 31, 2005 Rs. in Million		As at March 31, 2004 Rs. in Million	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital					
Equity Shares	1	380.0		380.0	
Preference Shares	1	533.7		150.0	
		913.7		530.0	
Share Capital Suspense	1A	—		383.7	
		913.7		913.7	
Reserves & Surplus	2	4,543.0		3,529.6	
			5,456.7		**4,443.3**
Loan Funds					
Secured Loans	3	3,092.2		2,341.0	
Unsecured Loans	4	448.9		1,028.7	
			3,541.1		**3,369.7**
Deferred Tax Liability			**768.6**		**545.6**
	TOTAL		**9,766.4**		**8,358.6**
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		7,488.3		6,172.9	
Less : Depreciation		1,660.8		1,300.9	
Net Block		**5,827.5**		**4,872.0**	
Capital Work In Progress		1,051.8		428.6	
			6,879.3		**5,300.6**
Investments	6		**258.3**		**250.0**
Deferred Tax Assets			**183.3**		**175.3**
Current Assets, Loans and Advances					
Inventories	7	2,746.7		1,955.9	
Sundry Debtors	8	1,409.0		1,728.5	
Cash and Bank Balances	9	74.9		154.7	
Other Current Assets	10	60.8		9.3	
Loans and Advances	11	1,209.5		1,452.2	
		5,500.9		**5,300.6**	
Less: Current Liabilities and Provisions					
Current Liabilities	12	2,261.1		1,871.4	
Provisions	13	794.3		796.5	
		3,055.4		**2,667.9**	
Net Current Assets			**2,445.5**		**2,632.7**
	TOTAL		**9,766.4**		**8,358.6**
NOTES TO THE FINANCIAL STATEMENTS	22				

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

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

Partha Ghosh
Partner
Membership No. F–055913

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

Profit and Loss Account for the year ended March 31, 2005

	Schedule No.	Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million	
INCOME					
Sales and Services		13,846.8		14,346.6	
Less : Excise Duty		655.0		671.3	
Less : Sales Tax		869.3		984.8	
Net Sales		12,322.5		12,690.5	
Other Income	14	438.2		243.3	
			12,760.7		**12,933.8**
EXPENDITURE					
Materials	15	6,143.4		5,989.5	
Staff Cost	16	1,412.9		1,290.4	
Research and Development Expenses	17	495.4		287.0	
Other Expenses	18	3,438.6		2,862.0	
(Increase)/Decrease in WIP/Finished Goods	19	(645.5)		(115.4)	
			10,844.8		**10,313.5**
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			**1,915.9**		**2,620.3**
Less : Interest (net)	20		175.0		164.2
PROFIT BEFORE DEPRECIATION AND TAX			**1,740.9**		**2,456.1**
Less : Depreciation			474.2		410.9
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			**1,266.7**		**2,045.2**
Less : Exceptional Items - (Income)/Expenses	21		(796.2)		216.9
PROFIT BEFORE TAX			**2,062.9**		**1,828.3**
Less : Provision for Taxation – Current [includes prior period tax Rs. 4.3 Million (Previous year Rs. 7.6 Million) and Wealth tax provision Rs. 1.5 Million (Previous year Rs.1.5 Million)] (Refer note 8, Sch. 22)		152.2		132.2	
Less : Deferred Tax (Refer note 10, Sch. 22)		215.0		(184.0)	
			367.2		**(51.8)**
PROFIT FOR THE YEAR			**1,695.7**		**1,880.1**
Balance Profit Brought Forward			**1,317.9**		**1,799.6**
NET PROFIT AVAILABLE FOR APPROPRIATION			**3,013.6**		**3,679.7**
Proposed Dividend on Equity Shares		570.1		570.1	
Distribution Tax Thereon		80.0		73.0	
Proposed Dividend on Preference Shares		28.2		9.0	
Distribution Tax Thereon		4.0		2.1	
Proposed Dividend on Preference Shares to be allotted		—		7.6	
Transfer to General Reserve		169.6		1,700.0	
			851.9		**2,361.8**
BALANCE CARRIED TO BALANCE SHEET			**2,161.7**		**1,317.9**
Earning Per Share (Basic/Diluted) (Rs.) (Face value of Rs. 2/- each)			**8.8**		**9.8**
NOTES TO THE FINANCIAL STATEMENTS	22				

Schedules referred to above and notes attached there to 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.

Partha Ghosh
Partner
Membership No. F–055913

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal Chairman
G P Goenka Director
Rajesh Khanna Director
Y H Malegam Director
Dr. Swati A Piramal Director – Strategic Alliances & Communications
Urvi A Piramal Director
Harsh Piramal Director

S Ramadorai Director
R A Shah Director
Vijay Shah Director – Chief Operating Officer
Deepak Satwalekar Director
N Vaghul Director
N Santhanam Chief Financial Officer
Leonard D'Souza Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	Year Ended March 31, 2005 Rs. in Million	Year Ended March 31, 2004 Rs. in Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,062.9	1,828.3
Adjustments for:		
Depreciation	474.2	410.9
Interest Expense	255.3	383.2
Interest Income	(80.3)	(219.0)
Dividend on Investments	(112.6)	(0.5)
Profit on Fixed Assets sold (net)	(47.0)	5.6
Expenses on Implementaion of GGL Scheme of Arrangement	—	(6.4)
Debts / Advances Written off	0.2	—
Provision for Bad & Doubtful Debts	60.0	69.1
Provision for Leave Encashment	13.3	19.9
Unrealised foreign exchange loss	(0.1)	(27.5)
Exceptional Items	(796.2)	216.9
Gain on Prepayment of Sales Tax Deferment Loan	(82.3)	(62.7)
Operating Profit Before Working Capital Changes	**1,747.4**	**2,617.8**
Adjustments For Changes In Working Capital :		
– (INCREASE)/DECREASE in Sundry Debtors	255.0	208.8
– (INCREASE)/DECREASE in Other Receivables	13.2	67.7
– (INCREASE)/DECREASE in Inventories	(790.8)	(108.0)
– INCREASE/(DECREASE) in Trade and Other Payables	358.1	48.5
Cash Generated From Operations	**1,582.9**	**2,834.8**
– Taxes Paid (Net of Refunds)	(12.6)	(17.0)
Net Cash Before Exceptional Items	**1,570.3**	**2,817.8**
– Exceptional Items	796.2	(216.9)
Net Cash From Operating Activities (A)	**2,366.5**	**2,600.9**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,690.3)	(514.0)
Capital Work in Progress	(623.2)	(342.8)
Proceeds from Sale of Fixed Assets	360.6	369.0
Proceeds from Sale of Investments	—	3.5
Purchase of Investments	(8.3)	(678.6)
Interest Received	63.0	180.0
Dividend on Investments	112.6	0.5
Net Cash (Used in) Investing Activities (B)	**(1,785.6)**	**(982.4)**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	Year Ended March 31, 2005 Rs. in Million	Year Ended March 31, 2004 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs. NIL Million (Previous Year Rs. 15.4 Million) on reinstatement of Foreign Currency Loan]	310.6	923.0
Payments	(317.9)	(1,001.3)
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.NIL Million (Previous Year Rs. 6.8 Million) on reinstatement of Foreign Currency Loan]	27,893.3	23,220.8
Payments	(28,901.9)	(23,864.3)
Proceeds from Fixed Deposits (net)	—	(0.1)
Proceeds from Cash Credits		
Receipts [Excludes Exchange Fluctuation of Rs.10.6 Million (Previous Year Rs. NIL Million) on reinstatement of Foreign Currency Loan]	2,195.6	972.6
Payments	(915.0)	(1,109.4)
Interest Paid	(263.6)	(390.9)
Dividend Paid	(586.7)	(401.3)
Dividend Tax Paid	(75.1)	(51.4)
Net Cash (used in) Financing Activities (C)	**(660.7)**	**(1,702.3)**
Net (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	**(79.8)**	**(83.8)**
Cash and Cash Equivalents As At 31.03.2004	**154.7**	**159.9**
Cash and Cash Equivalents Acquired on Amalgamation	—	78.6
Cash and Cash Equivalents As At 31.03.2005	**74.9**	**154.7**
Cash and Cash Equivalents Comprise		
Cash and Cheques on hand	7.8	4.5
Balance with Scheduled Banks	67.1	150.2
	74.9	**154.7**

Notes :

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard–3 issued by the Institute of Chartered Accountants of India.

2 Cash and cash equivalents includes Rs. 19.2 Million which are not available for use by the Company. (Refer Schedule 9 in the accounts)

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

Partha Ghosh
Partner
Membership No. F-055913

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

Schedules forming part of the Balance Sheet as at March 31, 2005

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 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
	1,250.0	1,250.0
ISSUED & SUBSCRIBED		
19,00,16,005 (19,00,16,005) Equity Shares of Rs. 2/- each	380.0	380.0
15,00,000 (15,00,000) 6% Non Cumulative Redeemable Preference Shares of Rs. 100/- each	150.0	150.0
Preference shares are redeemable on the expiry of 4 years from the Appointed Date January 01, 2003, with an option for both the Company and the shareholder for early redemption, but not before March 31, 2004		
15,00,000 (Nil) 5% Cumulative Redeemable Preference Shares of Rs. 100/- each	150.0	—
Preference shares are redeemable on the expiry of 5 years from the Appointed Date October 1, 2003, with an option for the Company for early redemption, but not before March 31, 2005		
2,33,72,280 (Nil) 5% Cumulative Redeemable Preference Shares of Rs. 10/- each	233.7	—
Preference shares are redeemable on the expiry of 5 years from the Appointed Date December 1, 2003, with an option for the Company for early redemption, but not before March 31, 2005		
* Each of the Equity and Unclassified shares in the Share Capital of the Company was sub divided from 1 (one) share of face value of Rs. 10/- each to 5 (five) shares of face value of Rs.2/- each w.e.f December 17, 2004. (Refer note 23 (ii), Sch. 22)		
TOTAL	**913.7**	**530.0**
1A. SHARE CAPITAL SUSPENSE		
Nil (15,00,000) 5% Cumulative Redeemable Preference Shares of Rs. 100/- each to be alloted to the erstwhile shareholders of Canere Actives and Fine Chemicals Private Limited pursuant to its merger with the Company effective October 01, 2003.	—	150.0
Nil (2,33,72,280) 5% Cumulative Redeemable Preference Shares of Rs.10/- each to be alloted to shareholders of The Morarjee Goculdas Spg. & Wvg. Co. Limited pursuant to demerger of Tools division of Morarjee into the Company effective December 01, 2003.	—	233.7
TOTAL	—	**383.7**

Notes :

Of the above :

1. 3,90,85,590 (3,90,85,590) Equity Shares of Rs.2/- each were allotted as fully paid bonus shares by capitalisation of Share Premium/General Reserve.
2. 82,50,000 (82,50,000) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
3. 88,67,010 (88,67,010) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
4. 51,97,050 (51,97,050) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
5. 3,75,25,020(3,75,25,020) Equity Shares of Rs. 2/- each were allotted to erstwhile shareholders of Piramal Healthcare Limited (PHL) as per the scheme of arrangement.
6. The erstwhile Piramal Healthcare Limited shareholders held 9,62,180 warrants with a right to convert into 75 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 (9,52,644) warrants were converted into 3,57,24,155 (3,57,24,155) shares resulting in the Issued and Subscribed Capital increasing by Rs.71.4 (Rs. 71.4) Million. The remaining 9,536 warrants were cancelled.
7. 1,57,50,000 (1,57,50,000) Equity Shares of Rs. 2/- each were allotted to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.

Schedules forming part of the Balance Sheet as at March 31, 2005

	Note	As at March 31, 2005 Rs. in Million		As at March 31, 2004 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		—	
Add : Transferred as per Scheme of Arrangement		—		16.2	
			16.2		16.2
SHARE PREMIUM ACCOUNT					
As per last Balance Sheet		—		258.8	
Less : Transferred as per Scheme of Arrangement		—		99.4	
Less : Transferred as per Scheme of Amalgamation		—		159.4	
			—		—
GENERAL RESERVE					
As per last Balance Sheet		2,099.8		1,103.7	
Add : Transferred from Profit and Loss Account		169.6		1,700.0	
Less : Transferred as per Scheme of Amalgamation		—		620.6	
Less : Impairment loss of Intangible Assets		—		83.3	
			2,269.4		2,099.8
DEBENTURE REDEMPTION RESERVE					
As per last Balance Sheet			91.7		91.7
PROFIT & LOSS ACCOUNT			2,161.7		1,317.9
As per Annexed Profit and Loss Account					
TOTAL			**4,543.0**		**3,529.6**
3. SECURED LOANS	Note				
Cash Credit from Banks (Includes Packing Credit Loans)	1		1,765.6		495.8
6.9% Non Convertible Secured Debentures Redeemable at par at the end of 2nd year from the date of allotment - 28/10/02			—		100.0
7% Non Convertible Secured Debentures Redeemable at par at the end of 3rd year from the date of allotment - 28/10/02	2		200.0		200.0
Term Loan From Bank	3		1,126.6		1,545.2
TOTAL			**3,092.2**		**2,341.0**

Notes on Secured Loans

1. Cash Credit facilities including Packing Credit in Foreign Currency (PCFC) and Working Capital Demand Loan (WCDL) are secured by hypothecation of stocks and book debts.

2. 7% Non-Convertible Secured Debentures of Rs. 200.0 Million are secured by First charge of immoveable property of the company situated at various manufacturing locations / R&D Center at Mulund* and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

3. Term Loans from Banks are secured by the following:-

   a. ECB loan of Rs.470.5 Million (US$ 10.0 Million) from Rabo Bank is secured by First charge of immoveable property of the company situated at various manufacturing locations / R&D Center at Mulund* and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   b. ECB loan of Rs.218.5 Million (US$ 5.0 Million) from Citi Bank has been secured by first charge of immovable property of the company situated at various manufacturing locations and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   c. ECB loan of Rs.437.6 Million (US$ 10.0 Million) from BNP Paribas, Singapore has been secured by first charge of immovable property of the company situated at various manufacturing locations and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   * Charge on R & D Centre at Mulund in process of being released by lenders.

4. Satisfaction of charges in respect of certain loans is still awaited.

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
4. UNSECURED LOANS		
Sales Tax Deferment (Interest free) [Payable within a year Rs. Nil (Previous year Rs. 20.2 Million)]	—	297.2
Fixed Deposits (Refer note 22, Sch. 22) [Payable within a year Rs.Nil (Previous year Rs. Nil)]	0.3	0.4
Banks	448.6	731.1
TOTAL	**448.9**	**1,028.7**

Schedules forming part of the Balance Sheet as at March 31, 2005

5. FIXED ASSETS

(Rs. in Million)

Particulars	COST					DEPRECIATION / AMORTISATION				NET BLOCK	
	Opening As at 01/04/2004	Amalgamation	Additions *	Deductions	As at 31/03/2005 (A)	Opening As at 01/04/2004	For the Year	Deductions	As at 31/03/2005 (B)	As at 31/03/2005 (A–B)	As at 31/03/2004
Intangible Assets											
Brand/Know–how/ Intellectual Property Rights ** (Refer note 25, Sch. 22)	1833.9	—	571.6	—	2405.5	296.0	197.3	—	493.3	1912.2	1537.9
Computer Software	81.8	—	50.0	—	131.8	45.9	12.4	—	58.3	73.5	35.9
Tangible Assets											
Land Leasehold	15.2	—	—	—	15.2	2.0	0.2	—	2.2	13.0	13.2
Land Freehold	197.5	—	—	85.5	112.0	—	—	—	—	112.0	197.5
Building	825.8	—	349.3	46.9	1128.2	111.7	47.6	5.2	154.1	974.1	714.1
Plant & Machinery	2942.5	—	651.7	168.4	3425.8	744.3	196.5	78.0	862.8	2563.0	2198.2
Furniture & Fixtures & Office Equipment	204.4	—	67.3	56.4	215.3	79.6	14.2	23.7	70.1	145.2	124.8
Motor Vehicle/ Transport	71.8	—	0.4	17.7	54.5	21.4	6.0	7.4	20.0	34.5	50.4
Grand Total	**6172.9**	**—**	**1690.3**	**374.9**	**7488.3**	**1300.9**	**474.2**	**114.3**	**1660.8**	**5827.5**	**4872.0**
Previous Year	4136.0	1879.6	514.0	356.7	6172.9	1067.9	410.9	177.9	1300.9		
Capital Work in Progress (including Capital Advances)***										1051.8	428.6
(includes know—how acquired and pending for commercial production)										6879.3	5300.6

Refer note 1(ii), Sch. 22

Refer note 1(iv), Sch. 22

Refer note 1(v), Sch. 22

* Additions during the year includes additions from Rhodia and Alpex (Refer note 4 & 6, 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 24, Sch. 22

6. INVESTMENTS (Long Term, Non Trade)

	Nos. as at March 31, 2005	Nos. as at March 31, 2004	Face Value Rupees	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
A) Units (Unquoted)					
Units of Unit Trust of India - 6.75% Tax Free US 64 Bonds	28350	28350	10.00	0.3	0.3
B) Mutual Funds (Quoted)					
Mastershares	21320	21320	10.00	0.3	0.3
C) Shares of Companies					
a) Subsidiary Companies (Unquoted)					
i. Piramal International	1025000	1025000	1 USD	35.9	35.9
ii. NPIL Fininvest Private Limited	221552	221552	10.00	2.2	2.2
iii. NPIL Laboratories and Diagnostics Private Limited	2500000	2500000	10.00	60.8	60.8
iv. NPIL-Dr. Phadke Pathology Laboratory and Infertility Center Private Limited	180000	180000	10.00	55.8	55.8
v. NPIL-Dr.Golwilkar Laboratories Private Limited	7000	7000	100.00	30.2	30.2
vi. NPIL Pharma Inc.	100000	100000	1 USD	4.5	4.5
vii. NPIL Life Sciences Ltd.*	100000	—	1GBP	8.3	—
b) Others (Quoted)					
i. Dalmia Cements Limited - Rs. 220.00 (Rs. 220.00)	80	80	10.00	—	—
ii. Ambalal Sarabhai Enterprises Limited	9592653	9592653	10.00	32.1	32.1
c) Others (Unquoted)					
i. Allergan India Private Limited	3920000	3920000	10.00	39.2	39.2
ii. Boots Piramal Healthcare Private Limited	2450000	2450000	10.00	24.5	24.5
iii. Wellquest Research Private Limited	5000	5000	10.00	0.1	0.1
				294.2	285.9
Less : Provision for diminution in value of Investment				35.9	35.9
				258.3	250.0

* Share certificate to be received

	As at March 31, 2005 Cost Rs. in Million	As at March 31, 2005 Market Value Rs. in Million	As at March 31, 2004 Cost Rs. in Million	As at March 31, 2004 Market Value Rs. in Million
1. Aggregate value of quoted investments	32.4	100.5	32.4	65.1
2. Aggregate value of unquoted investments	225.9		217.6	
TOTAL	258.3		250.0	

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
7. INVENTORIES (As certified by the Management)		
Raw & Packing Materials	670.2	530.3
Work-in-progress	285.3	167.6
Finished Goods	1,743.2	1,215.4
Engineering Stores	48.0	42.6
TOTAL	2,746.7	1,955.9

Schedules forming part of the Balance Sheet as at March 31, 2005

	As at March 31, 2005 Rs. in Million		As at March 31, 2004 Rs. in Million	
8. SUNDRY DEBTORS				
i. Over six months				
Secured – considered good	4.7		4.2	
Unsecured – considered good	257.5		167.6	
– considered doubtful	236.2		176.2	
	498.4		**348.0**	
Less : Provision for doubtful debts	236.2		176.2	
		262.2		171.8
ii. Others-Considered good				
Secured	12.6		46.3	
Unsecured	1,134.2		1,510.4	
		1,146.8		1,556.7
TOTAL		**1,409.0**		**1,728.5**
9. CASH AND BANK BALANCES				
i. Cash and Cheques on Hand		7.8		4.5
ii. Balance with Scheduled Banks				
– Current Account		47.4		132.1
– Current Account in respect of Unclaimed Dividend Warrants		19.2		17.2
– Others		0.5		0.9
TOTAL		**74.9**		**154.7**
10. OTHER CURRENT ASSETS				
Interest, Rent & Claims Receivable		60.8		9.3
TOTAL		**60.8**		**9.3**
11. LOANS AND ADVANCES				
Unsecured & Considered Good unless otherwise stated Advances recoverable in cash or in kind or for value to be received		593.2		488.0
Advance Tax Less Provision		82.6		225.0
Loan to Subsidiaries		19.8		-
Other Deposits		484.3		710.9
Balance with Customs, Port Trust and Excise Authorities on Current Account		29.6		28.3
TOTAL		**1,209.5**		**1,452.2**
12. CURRENT LIABILITIES				
Sundry Creditors for Capital goods, Materials & Expenses Small Scale Industrial Undertakings (Refer note 17, Sch. 22)		7.2		43.1
Others		2,019.6		1,511.6
Advances from Customers		19.2		36.7
Investor Education and Protection Fund Shall be Credited by				
– Unpaid Dividend (Refer note 22, Sch. 22)		19.2		17.2
Interest Accrued But Not Due		9.2		17.5
Other Liabilities		186.7		245.3
TOTAL		**2,261.1**		**1,871.4**
13. PROVISIONS				
Proposed Dividend on Equity Shares		570.1		570.1
Proposed Dividend on Preference Shares		28.2		16.6
Provision for Wealth Tax less Payment		1.0		3.8
Tax Payable on Proposed Dividend		84.0		75.1
Provision for Employees Retirement Benefits		111.0		130.9*
TOTAL		**794.3**		**796.5**

*Includes Contingencies Rs. 23.0 million

Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2005

		Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million
14. OTHER INCOME				
Dividend on Investments		112.6		0.5
Profit on Sale of Assets (net)		47.0		—
Processing Charges Received		9.6		27.0
Services & Commission		23.7		27.0
Rent Received[Tax Deducted at Source Rs. 2.8 Million (Previous year Rs. 7.4 Million)]		14.0		40.4
Gain on Prepayment of Sales Tax Deferment Loan		82.3		62.7
Export Incentive		71.3		4.1
Miscellaneous Income		77.7		81.6
TOTAL		**438.2**		**243.3**
15. MATERIALS				
Raw and Packing Materials		2,926.9		3,307.8
Purchase of Trading Goods		3,216.5		2,681.7
TOTAL		**6,143.4**		**5,989.5**
16. STAFF COST (Net of Recoveries) (Refer note 26, Sch. 22)				
Salaries, Wages, Bonus and Gratuity		1,180.1		1,088.2
Contribution to Provident and Other Funds		125.7		113.8
Staff Welfare		107.1		88.4
TOTAL		**1,412.9**		**1,290.4**
17. RESEARCH AND DEVELOPMENT EXPENSES				
R & D Expenses		495.4		287.0
TOTAL		**495.4**		**287.0**
18. OTHER EXPENSES (Net of Recoveries) (Refer note 26, Sch. 22)				
Processing Charges		271.0		156.0
Stores and Spares Consumed		149.9		64.5
Power, Fuel & Water Charges		258.2		212.5
Repairs and Maintenance				
Buildings	112.1		31.3	
Plant and Machinery	67.3		56.4	
Others	4.7		5.4	
		184.1		93.1
Rent				
Premises	53.6		63.6	
Other Assets	97.2		53.4	
		150.8		117.0
Rates & Taxes (includes Excise Duty)		99.1		135.9
Insurance		26.5		26.2
Travelling Expenses		470.1		409.0
Directors' Commission		—		24.7
Directors' Fees		0.8		0.6
Bad Debts Written Off		0.2		—
Provision for Doubtful Debts		60.0		69.1
Loss on Sale of Assets (net)		—		5.6
Advertisement and Business Promotion Expenses		489.7		442.4
Freight		240.4		184.5
Clearing and Forwarding Expenses		225.3		230.5
Claims		244.3		177.0
Legal and Professional Charges		110.6		142.5
Miscellaneous Expenses (Refer note 16, Sch. 22)		457.6		370.9
TOTAL		**3,438.6**		**2,862.0**

Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2005

	Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million	
19. (INCREASE) / DECREASE IN WORK - IN - PROGRESS AND FINISHED GOODS				
OPENING STOCKS :				
Work-in-Progress	167.6		110.1	
Work-in-Progress – On Amalgamation	—		24.0	
Finished Goods	1,215.4		1,090.3	
Finished Goods – On Amalgamation	—		43.2	
		1,383.0		**1,267.6**
CLOSING STOCKS :				
Work-in-Progress	285.3		167.6	
Finished Goods	1,743.2		1,215.4	
		2,028.5		1,383.0
(Increase)/Decrease in WIP/ Finished Goods		**(645.5)**		**(115.4)**
20. INTEREST				
Interest on Fixed Loans & Debentures	187.4		272.2	
Interest on Others	67.9		111.0	
		255.3		383.2
Less : Interest Received :				
(i) On Term Deposits with Limited Companies & Others [Tax Deducted at Source Rs. 11.0 Million (Previous year Rs. 37.4 Million)]	52.4		182.7	
(ii) On Receivables and Others	27.9		36.3	
		80.3		219.0
TOTAL		**175.0**		**164.2**
21. EXCEPTIONAL ITEMS				
Voluntary Retirement Scheme		6.8		129.0
Related Expenses to Voluntary Retirement Scheme		19.2		41.2
Others (Includes contingencies)		—		46.7
Consideration for return of Marketing and Distribution rights to Roche Diagnostics (net)	(862.1)		—	
Provision for Stocks and Debtors	39.9		—	
(Refer note 5, sch. 22)		(822.2)		—
TOTAL		**(796.2)**		**216.9**

22. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Accounting

The financial statements are prepared under historical cost convention on an accrual basis and comply with the accounting standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Companies Act, 1956.

ii) Fixed Assets

All fixed assets (including Business Application Software intended for long term use) are stated at cost of acquisition, less accumulated depreciation. In the case of fixed assets acquired for new projects/expansion, interest cost on borrowings and other related expenses upto the date of completion of project incurred towards acquiring fixed assets are capitalised.

Brands/know-how (including US FDA/TGA approvals) are recorded at their acquisition cost and in case of assets acquired on merger, at their carrying values.

iii) Sales

The Company recognises sales at the point of despatch of goods to the customer. Sales are net of discounts, sales tax, excise duty and returns.

iv) Depreciation

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.

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 years.

v) Research and Development

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an intangible asset to the extent that it is expected that such assets will generate future economic benefits. Research and Development expenditure of a capital nature is added to the fixed assets.

vi) Leave Encashment

Provision for leave encashment is determined on the basis of actuarial valuation.

vii) Retirement Benefits

The Company's contribution in respect of Provident Fund and Superannuation Scheme are charged against revenue every year. In respect of Gratuity and Pension, the Company's contribution to the Group Insurance Scheme of Life Insurance Corporation of India are charged against the revenue.

viii) Voluntary Retirement Scheme (VRS)

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

ix) Investments

Long term investments are valued at cost with an appropriate provision for permanent diminution in value.

x) Valuation of Inventories

Raw materials, packing materials, stores and work-in-progress are valued at cost. Finished goods are valued at lower of cost or net realisable value. Excise Duty on goods manufactured by the Company and remaining in inventory is included as a part of valuation of finished goods.

xi) Foreign Exchange Fluctuations

The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transactions. Any exchange gains or losses arising out of the subsequent fluctuations are accounted for in the Profit and Loss Account, except those relating to acquisition of fixed assets which are adjusted to the cost of assets.

xii) 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.

Schedule 22 (Contd.)

xiii) **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.

xiv) **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.

			As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
2.	Estimated Amount of outstanding contracts / Capital Commitment		**517.4**	**362.8**
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.	Guarantees issued to Government authorities and limited companies including performance guarantees.	**61.9**	51.6
	c.	Appeals filed in respect of disputed demands :		
		Income Tax		
		– where the Company is in appeal	**940.6**	152.5
		– where the department is in appeal	**1001.8**	513.6
		Sales Tax	**45.0**	32.7
		Central Excise	**408.0**	101.0
		Labour Matters	**5.0**	3.6
		Stamp Duty	**40.5**	40.5
	d.	Bills Discounted	**90.2**	119.2

4. Pursuant to an agreement dated December 10, 2004 and Board approval dated December 17, 2004, the Company has acquired the global Inhalation Anaesthetics business of Rhodia Organique Fine Limited (Rhodia), UK, for a consideration of USD 14.0 Million. Accordingly, effective January 10, 2005, Technical Know How and Business IPR related to the said business along with inventory as on that date were transferred to the Company. The acquisition gives NPIL access to the manufacturing technology and facilities as well as the global sales and marketing rights for Inhalation Anaesthetics products.

5. Exceptional items include Rs.822.2 Million (net of expenses Rs.105.4 Million) received from Roche Diagnostics Gmbh, Germany, (Roche) under the settlement agreement where under the marketing and distribution rights of the Company of its entire diagnostics range of products have been returned to Roche effective January 01, 2005 for an aggregate sum of USD 22.0 Million (inclusive of equipment returned back of the value of USD 1.3 Million).

6. Pursuant to an agreement dated January 01, 2005 and board approval dated October 21, 2004, the Company has acquired the Ophthalmic business of Alpex International Private Limited on a going concern basis for a consideration of Rs.134.4 Million. Accordingly, all the assets and liabilities related to the said business were transferred to the Company effective January 01, 2005. The Ophthalmic business includes the manufacturing facilities and the marketing and distribution rights of two API products.

7. The results for the year ended March 31, 2005 are not strictly comparable with that of the previous year as the current year's figures include:

a) Operation of erstwhile Canere Actives and Fine Chemicals Private Limited (Canere) for the full year as against operations of six months (October 01, 2003 to March 31, 2004) included in the previous year consequent to its merger with the Company effective October 01, 2003.

b) Operation of the Tools Division of The Morarjee Goculdas Spg. & Wvg. Co. Ltd. (Morarjee) for the full year as against operations of four months (December 01, 2003 to March 31, 2004) included in the previous year consequent to its demerger from Morarjee into the Company effective December 01, 2003.

c) Operations of the global Inhalation Anaesthetics (IA) business of Rhodia for the period January 10, 2005 to March 31, 2005 pursuant to its acquisition effective January 10, 2005.

d) Operation of the Diagnostics business from Roche for the period April 01, 2004 to December 31, 2004 as against the full year's operation included in the previous year pursuant to a settlement for discontinuance reached with Roche effective January 01, 2005.

Schedule 22 (Contd.)

8. In view of the set off of the accumulated losses / unabsorbed depreciation of Rs.1243.2 Million available to the Company under section 72A of the Income Tax Act, 1961 (the Act) there is no tax liability on the Company except under section 115JB of the Act, which has been provided for.

9. The erstwhile registered office of the Company at 100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012 was destroyed in a fire on October 29, 2004 causing loss of Company's records, computers, furniture and office equipments. The insurance claim of Rs.122.2 Million made by the Company in this respect has been admitted by the insurance Company and an interim payment of Rs.27.5 Million been received. Further, the management has also taken necessary steps to salvage the damaged records and compile data to the extent possible from the documents, statistics and data available. Pending settlement of the claim the written down value of assets destroyed have been shown as recoverable from Insurance Company and adjustments, if any, will be made on final settlement.

10. Major components of deferred tax assets and liabilities arising are:

Rs. in Million

	As at March 31, 2005		As at March 31, 2004	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
On account of timing differences				
– Depreciation	—	768.6	—	545.6
– VRS	97.9	—	114.9	—
– Others	85.4	—	60.4	—
TOTAL	183.3	768.6	175.3	545.6

11. The Company is mainly engaged in pharmaceutical business which is considered the only reportable business segment as per Accounting Standard – AS 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India. Other activities / geographical segmentation are not relevant as they are not significant.

12. 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

- Glass Engineers Private Limited
- Legend Pharma Private Limited
- Nandan Piramal Investment Private Limited
- Piramal Texturising Private Limited
- Swati Piramal Investment Private Limited
- Vulcan Investment Private Limited

There were no transactions during the year with the above companies.

B. Subsidiary Companies

- Piramal International
- NPIL Fininvest Private Limited (NPIL Fininvest)
- NPIL Laboratories and Diagnostics Private Limited (NPIL Labs)
- NPIL – Dr. Phadke Pathology Laboratory and Infertility Center Private Limited (NPIL Dr. Phadke)
- NPIL – Dr. Golwilkar Laboratories Private Limited (NPIL Dr. Golwilkar)
- NPIL Pharma Inc. (NPIL Pharma)
- NPIL Life Sciences Ltd. (from June 22, 2004)

C. Associate Companies

- Allergan India Private Limited (Allergan)
- Boots Piramal Healthcare Private Limited (Boots)
- Morarjee Realties Limited (Formerly The Morarjee Goculdas Spg. & Wvg. Co. Limited) (Morarjee Realties)
- Morarjee Textiles Limited (Morarjee Textiles)
- Morarjee Castiglioni (India) Limited
- Piramal Healthcare Private Limited (Piramal Healthcare)
- Piramal Enterprises Limited (Piramal Enterprises)
- Piramal Holdings Limited (Piramal Holdings)
- Thundercloud Technologies (India) Private Limited (Thundercloud Technologies)
- Piramyd Retail and Merchandising Private Limited
- The Swastik Safe Deposits and Investments Limited

D. Key Management Personnel

- Mr. Ajay G. Piramal
- Dr. Swati A. Piramal
- Mr. Vijay Shah
- Mr. N. Santhanam
- Dr. Somesh Sharma
- Mr. Harsh Piramal (upto June 30, 2004)
- Mr. J. C. Saigal

Schedule 22 (Contd.)

Details of Transactions	Subsidiaries		Associates		Key Management Personnel		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Purchase of Goods								
– Boots	—	—	418.0	721.0	—	—	418.0	721.0
– Gujarat Glass	—	23.8	—	—	—	—	—	23.8
– Others	—	—	0.6	0.1	—	—	0.6	0.1
TOTAL	—	23.8	418.6	721.1	—	—	418.6	744.9
Sale of Goods								
– Allergan	—	—	219.3	237.4	—	—	219.3	237.4
– Boots	—	—	94.8	73.8	—	—	94.8	73.8
– Others	17.2	18.0	0.1	0.8	—	—	17.3	18.8
TOTAL	17.2	18.0	314.2	312.0	—	—	331.4	330.0
Purchase of Fixed Assets								
– Thundercloud Technologies	—	—	0.2	5.9	—	—	0.2	5.9
– Piramal Enterprises	—	—	—	0.9	—	—	—	0.9
– Others	—	—	—	0.5	—	—	—	0.5
TOTAL	—	—	0.2	7.3	—	—	0.2	7.3
Sale of Fixed Assets								
– Morarjee Realties	—	—	0.7	0.1	—	—	0.7	0.1
– Morarjee Textiles	—	—	0.4	—	—	—	0.4	—
– Piramal Holdings	—	—	1.4	0.2	—	—	1.4	0.2
TOTAL	—	—	2.5	0.3	—	—	2.5	0.3
Rendering of Services								
– NPIL Labs	10.0	31.5	—	—	—	—	10.0	31.5
– Allergan	—	—	2.2	5.9	—	—	2.2	5.9
– Others	—	1.0	0.4	1.2	—	—	0.4	2.2
TOTAL	10.0	32.5	2.6	7.1	—	—	12.6	39.6
Receiving of Services								
– Boots	—	—	—	10.3	—	—	—	10.3
– Piramal Enterprises	—	—	45.2	24.6	—	—	45.2	24.6
– Piramal Holdings	—	—	76.2	21.2	—	—	76.2	21.2
– Thundercloud Technologies	—	—	11.4	12.2	—	—	11.4	12.2
– Others	2.8	0.4	13.0	22.4	—	—	15.8	22.8
TOTAL	2.8	0.4	145.8	90.7	—	—	148.6	91.1
Rent Paid								
– Morarjee Realties	—	—	1.5	16.4	—	—	1.5	16.4
– Piramal Healthcare	—	—	9.4	9.2	—	—	9.4	9.2
TOTAL	—	—	10.9	25.6	—	—	10.9	25.6
Rent Received								
– Boots	—	—	1.5	2.5	—	—	1.5	2.5
TOTAL	—	—	1.5	2.5	—	—	1.5	2.5
Finance (including loans and Equity contribution in cash or in kind)								
– Npil Fininvest	57.5	6,515.4	—	—	—	—	57.5	6,515.4
– NPIL Labs	127.1	174.5	—	—	—	—	127.1	174.5
– NPIL Dr. Phadke	29.0	39.7	—	—	—	—	29.0	39.7
– NPIL Pharma	20.2	4.5	—	—	—	—	20.2	4.5
– Others	14.3	6.0	—	—	—	—	14.3	6.0
TOTAL	248.1	6,740.1	—	—	—	—	248.1	6,740.1

Schedule 22 (Contd.)

Details of Transactions (Contd.)	Subsidiaries		Associates		Key Management Personnel		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Interest Received								
– NPIL Fininvest	—	52.3	—	—	—	—	—	52.3
– Boots	1.9	—	11.4	3.0	—	—	13.3	3.0
– Others	1.0	7.2	—	—	—	—	1.0	7.2
TOTAL	2.9	59.5	11.4	3.0	—	—	14.3	62.5
Management Contracts including for Deputation of Employees – Services rendered								
– Gujarat Glass	—	0.3	—	—	—	—	—	0.3
– Boots	—	—	0.7	0.6	—	—	0.7	0.6
– Piramal Healthcare	—	—	0.8	0.7	—	—	0.8	0.7
TOTAL	—	0.3	1.5	1.3	—	—	1.5	1.6
Management Contracts including for Deputation of Employees – Services received.								
– Gujarat Glass	—	0.3	—	—	—	—	—	0.3
– Piramal Enterprises	—	—	0.3	0.4	—	—	0.3	0.4
– Piramal Healthcare	—	—	—	0.3	—	—	—	0.3
TOTAL	—	0.3	0.3	0.7	—	—	0.3	1.0
Remuneration								
– Mr. Ajay Piramal	—	—	—	—	12.5	22.6	12.5	22.6
– Dr. Swati A Piramal	—	—	—	—	7.0	10.2	7.0	10.2
– Mr. Vijay Shah	—	—	—	—	7.2	12.2	7.2	12.2
– Dr Somesh Sharma	—	—	—	—	11.5	11.1	11.5	11.1
– Others	—	—	—	—	8.3	12.3	8.3	12.3
TOTAL	—	—	—	—	46.5	68.4	46.5	68.4
Others – Payments								
– Piramal Holdings	—	—	30.2	—	—	—	30.2	—
TOTAL	—	—	30.2	—	—	—	30.2	—
Others – Receipts								
– Morarjee Realties	—	—	125.0	—	—	—	125.0	—
– Others	—	—	—	—	—	—	—	—
TOTAL	—	—	125.0	—	—	—	125.0	—
Receivable								
– NPIL Labs	23.8	15.2	—	—	—	—	23.8	15.2
– NPIL Pharma	19.8	—	—	—	—	—	19.8	—
– Allergan	—	—	34.3	28.6	—	—	34.3	28.6
– Boots	—	—	48.8	—	—	—	48.8	—
– Others	1.0	1.5	0.6	0.3	—	—	1.6	1.8
TOTAL	44.6	16.7	83.7	28.9	—	—	128.3	45.6
Payable								
– Boots	—	—	58.8	118.6	—	—	58.8	118.6
– Others	—	—	3.9	8.8	—	—	3.9	8.8
TOTAL	—	—	62.7	127.4	—	—	62.7	127.4

Schedule 22 (Contd.)

			As at March 31, 2005 Rs. in Million		As at March 31, 2004 Rs. in Million
13.	**Managerial Remuneration**				
	A. To Chairman and Executive Directors				
	a. Salaries		18.3		15.8
	b. Commission		—		21.0
	c. Contribution to Provident and Superannuation Fund		4.7		4.3
	d. Other Perquisites		3.7		3.4
			26.7		44.5
	B. To Other Directors		—		3.7
	C. Director's Fees		0.8		0.6
	Total Managerial Remuneration		**27.5**		**48.8**
	D. Computation of Net Profit u/s 198 / 349 of the Companies Act, 1956				
	Profit before Tax and Exceptional Items	1266.7		2045.2	
	Less: Exceptional Items	(796.2)		216.9	
	Profit on Sale of Assets (net)	47.0		—	
			2015.9		1828.3
	Add: Managerial Remuneration	27.5		48.8	
	Provision for Doubtful Debts	60.0		69.1	
	Loss on Sale of Assets (net)	—		5.6	
			87.5		123.5
	Net Profit u/s 198 / 349 of the Companies Act, 1956		2103.4		1951.8
	I) Commission to Chairman / Executive Directors restricted to		—		21.0
	II) Commission to Non wholetime Directors @ 1% of Net profit u/s 349, Rs.21.0 Million Restricted to		—		3.7
14.	**a. Value of imports calculated on CIF basis:**				
	i. Raw Materials		595.4		556.0
	ii. Capital Goods		234.1		132.2
	iii. Traded Goods / reagents		678.4		595.7
	b. Expenditure in Foreign Currency				
	i. Subscription		3.3		0.7
	ii. Travelling		6.2		8.8
	iii. Royalty		25.8		75.1
	iv. Professional Fees		47.1		6.8
	v. Acquisition of Rhodia (Refer note 4)		579.8		—
	vi. Others		257.6		41.3
15.	**Earnings in Foreign Currency**				
	i. Exports of Goods calculated on FOB basis		1263.2		971.5
	ii. Commission		10.6		5.9
	iii. Research Income		17.5		2.3
	iv. Compensation from Roche (Refer note 5)		927.6		—
	v. Others		—		28.6
16.	**Miscellaneous Expenditure includes Auditors' Remuneration in respect of:**				
	Statutory Auditors:				
	a) Audit Fees		3.8		3.8
	b) Tax Audit Fees		—		0.6
	c) Certification Fees / Other Services		3.9		2.0
	d) Reimbursement of Out of pocket Expenses		0.1		0.1

Schedule 22 (Contd.)

17. Total Amount due to Small Scale Industrial Undertaking is Rs.7.2 Million (Previous Year Rs.43.1 Million). The names of the small scale industrial undertakings to whom the Company owes a sum which is outstanding for more than 30 days are:

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
Adams Fine Chemicals Private Limited	1.0	2.0
Angel Engineering Industries Limited (Previous Year Rs.2695)	—	—
Ansa Printpack Private Limited	—	0.3
Axar Medical Private Limited (Previous Year Rs.22980)	—	—
Axar Pharmaceuticals Private Limited (Previous Year Rs.79939)	—	—
Bajaj health and Nutrition Private Limited	—	3.7
Bombay Carbon Dioxide Gas Corporation	—	0.4
Canberra Chemicals Limited	—	0.1
Chettiyar Industrial Corporation (Previous Year Rs.43024)	—	—
Corey Organics Limited (Previous Year Rs.58102)	—	—
Cyril Printers (Previous Year Rs.16457)	—	—
DM Printers (Previous Year Rs.2345)	—	—
Deep Pharma–chem Private Limited	0.5	1.3
Durga Industries	—	0.1
East Coast Organics Private Limited	—	0.3
EBY Industries Limited (Previous Year Rs.48657)	—	—
Five Star Pharmaceuticals (Previous Year Rs.7600)	—	—
GR Enterprises (Previous Year Rs.1043)	—	—
GHR and SSIDCL (Previous Year Rs.5787)	—	—
Gopal Das Visram & Co.	—	0.2
HBR Packaging	—	0.1
Hanaka Organics Private Limited	—	0.7
Hi—Pro Tooling Systems (Rs.8431)	—	0.7
Industrial Engineering Corporation (Previous Year Rs.10345)	—	—
Innova Laboratories	—	1.0
Jagruti Chemicals Limited	0.3	1.1
MB Chemicals (Rs.11266) (Previous Year Rs.52334)	—	—
Magnose Engineering Company (Previous Year Rs.5523)	—	—
Maheep Paper Tubes & Packaging (Previous Year Rs.43608)	—	—
Malar Plastics Private Limited (Previous Year Rs.44408)	—	—
Medisynth Fine Chemicals	0.2	0.7
Mepro Pharmaceuticals Private Limited	—	2.0
Mrugal Enterprises (Previous Year Rs.2376)	—	—
Novex Poly Films Private Limited	—	0.2
Padmakar Engineering (Previous Year Rs.6840)	—	—
Parishram Engineering (Previous Year Rs.360)	—	—
Patel Papain Industries	0.8	1.0
Pragati Organics Private Limited	—	3.0
Quality Industries	—	0.1
Ruby Organics Private Limited	—	0.4
Sanjoo Printers (Previous Year Rs.12213)	—	—
Saroj Printers (Previous Year Rs.12763)	—	—
Seasons Polymers (Previous Year Rs.649)	—	—
Santhi Industries (Previous Year Rs.31992)	—	—
S Kant Healthcare Limited	—	0.3
Sima Products	—	0.5

Schedule 22 (Contd.)

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
Sontaro Organic Industries	—	0.1
Sri Chavadi Pharma Limited	—	0.1
Star Drugs & Research labs Limited (Previous Year Rs.1600)	—	—
Sukkan Industries	—	0.2
Supreme Pharmaceuticals	—	0.2
Suvik Hi Tek Private Limited	—	0.4
The Madras Pharmaceuticals Private Limited	—	0.2
Time Pharma	—	0.4
Umedica Laboratories Private Limited	—	2.5
Unicare Emergency Equipment (Previous Year Rs.2412)	—	—
Urmi Chemicals	0.3	0.5
Vardhaman Remedies Private Limited	—	0.2
Vasant Process (Previous Year Rs.39322)	—	—

The above information regarding small scale industrial undertaking 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.

18. The Company has opted for the Group Gratuity–Cum–Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The Company's contribution to this scheme is charged to the Profit and Loss Account for the year. The difference between the actuarial valuation and the funds with LIC has been adequately provided for in the Profit and Loss Account.

19. An erstwhile Contractor has made a claim of Rs.80.0 Million on Canere before an Arbitration panel appointed in terms of contract between Canere and the Contractor. Canere has filed a counter claim of Rs.382.6 Million on the Contractor. No award has yet been made by the Arbitration panel.

20. a) The Company has advanced interest bearing loans to its subsidiary companies, except as stated in (b) below, during the year. All the loans were repaid by the year end. The maximum amount due during the year were :

Subsidiary Companies	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
NPIL Fininvest Private Limited	50.0	3109.9
NPIL Laboratories and Diagnostics Private Limited	127.1	69.2
NPIL – Dr. Phadke Pathology and Infertility Center Private Limited	29.0	25.0
NPIL – Dr. Golwilkar Laboratories Private Limited	6.0	3.5

b) The Company has advanced interest free loans aggregating to Rs.20.2 Million (excluding foreign exchange loss of Rs.0.4 million) (maximum outstanding during the year Rs.20.2 Million) to its wholly owned subsidiary NPIL Pharma Inc. which was outstanding at the year end. The same will be redeemed in a bullet installment three years from the date of the loan.

c) The Company has not advanced any loan to its associates.

21. The Company's significant leasing arrangements are mainly in respect of residential/office premises 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.372.3 Million (Previous Year Rs.382.5 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of vehicles, equipments and computers on lease:

Payable :	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
Not Later than one year	91.0	68.0
Later than one year but not later than five years	210.5	149.4
Later than five years	—	—

22. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

Schedule 22 (Contd.)

23. i) Earning Per Share (EPS) – EPS is calculated by dividing the profit attributable to the equity shareholders by the 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, 2005	For the Year ended March 31, 2004
1. Profit after tax (Rs. in Million)	**1695.7**	1880.1
2. Preference dividend and distribution tax thereon (Rs. in Million)	**32.2**	18.7
3. Number of Shares (nos.)	**190,016,005**	190,016,005
4. EPS (Rs.)	**8.8**	9.8
5. Face value per share (Rs.)	**2.0**	2.0

(ii) Pursuant to the approval of the shareholders through postal ballot, Equity Share of the Company of Face Value of Rs.10 each has been split into 5 Equity Shares of Face Value of Rs.2 each and shares have been traded on the stock exchange w.e.f. January 04, 2005 on the basis of face value of Rs.2 each. Accordingly, the issued and paid up equity share capital now comprises 190,016,005 Equity Shares of Rs.2 each amounting to Rs.380.0 Million. The EPS figures disclosed above have been calculated for Equity Share of Rs.2 each after considering the share split. Correspondingly, the EPS for the previous periods have been restated for the face value of Rs.2 each.

24. Interest amounting to Rs.2.4 Million has been capitalised during the year in compliance with AS-16 – "Borrowing Costs".

25. a) The Company's intangible assets, other than Computer Software, comprise of Brands and Trademarks, Technical Knowhow & Business IPR 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 Trademarks	Technical Knowhow and Business IPR	US FDA / TGA Approvals
Useful Life	10 Years	10 Years	10 Years
Amortisation Method	SLM	SLM	SLM
Gross Block as on April 01, 2004	1694.9	—	139.0
Accumulated Amortisation on as on April 01, 2004	278.6	—	17.4
WDV as on April 01, 2004	1416.3	—	121.6
Additions during the year	66.8	449.7	55.1
Retirement and Disposals	—	—	—
Amortisation for the year	172.0	10.0	15.3
WDV as on March 31, 2005	1311.1	439.7	161.4
Capital Commitment as on March 31, 2005	—	—	—

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

26. Recoveries deducted from expenses are on account of sharing of common expenses with Joint Venture / Associate Companies.

Schedule 22 (Contd.)

27. Assets and Liabilities as on March 31, 2005 and Income and Expenses for the year ended March 31, 2005 related to the interest of the Company in its Jointly Controlled Entities are:

Rs. in Million

Particulars	Allergan India Private Limited	Boots Piramal Healthcare PrivateLimited
ASSETS		
Net Fixed Assets (including CWIP)	38.5	3.1
Investments	—	—
Deferred Tax Asset	5.9	1.5
Inventories	64.6	2.3
Sundry Debtors	61.8	79.7
Cash & Bank Balances	29.5	6.2
Other Current Assets	—	2.5
Loans and Advances	17.2	73.6
LIABILITIES		
Secured Loans	2.8	0.1
Unsecured Loans	—	—
Deferred Tax Liability	6.6	0.1
Current Liabilities	99.9	77.2
Provisions (including proposed dividend)	1.1	43.7
INCOME		
Net Sales	441.3	319.3
Other Income	2.9	5.5
EXPENSES		
Materials	236.2	135.9
Staff Cost	38.1	23.7
Other Expenses	106.6	89.2
(Increase) / Decrease in WIP / Finished Goods	(27.9)	(1.0)
Interest (Net)	(0.8)	6.9
Depreciation	10.8	1.3
Provision for Taxation(including Deferred Tax)	30.1	23.7

28. The figures for the year ended March 31, 2004 have been regrouped, wherever necessary.

Schedule 22 (Contd.)

29. CAPACITY, PRODUCTION, SALES AND STOCKS

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

Category	UOM	Installed Capacity	Opening Stock Quantity (3 & 4)	Opening Stock Value (Rs. in Million)	Stocks on Acquisition Quantity (7)	Stocks on Acquisition Value (Rs. in Million)	Production Quantity (1, 2 & 4)	Purchases Quantity (4 & 6)	Purchases Value (Rs. in Million)	Sales Quantity (5)	Sales Value (Rs. in Million)	Closing Stock Quantity (3 & 4)	Closing Stock Value (Rs. in Million)
Traded													
Creams & Powder	Kgs	—	53,314.89	53.8	—	—	—	435,937.79	331.0	320,238.87	469.2	96,415.00	133.5
		—	(17,094.81)	(52.1)	(0.41)	(0.2)	—	(273,834.10)	(234.2)	(235,707.58)	(375.5)	(53,314.89)	(53.8)
Vials	Ltrs	—	23.88	27.0	—	—	—	212,477.03	149.4	114,880.95	173.4	74,038.80	49.3
		—	(296.00)	(137.5)	(0.06)	(1.0)	—	(132.46)	(257.7)	(382.04)	(575.1)	(23.88)	(27.0)
Tablets & Capsules	Mios	—	309.86	294.2	—	—	—	2,210.67	1,400.6	1,460.38	2,052.1	881.96	630.4
		—	(260.73)	(289.3)	(2.46)	(3.9)	—	(934.78)	(1,204.0)	(845.64)	(2,235.8)	(309.86)	(294.2)
Liquids, Drops & Solutions	Ltrs	—	499,285.67	123.3	—	—	—	2,630,508.81	499.0	1,809,638.92	494.4	955,459.89	185.6
		—	(301,939.59)	(77.2)	(0.63)	(0.1)	—	(1,872,960.89)	(443.9)	(1,648,239.40)	(590.0)	(499,285.67)	(123.3)
Feed Supplements & Others	Kgs	—	2,615.00	0.5	—	—	—	—	—	—	—	—	—
		—	(50,390.00)	(9.4)	—	—	—	(301,204.00)	(31.5)	(301,861.00)	(35.5)	(2,615.00)	(0.5)
Others		—	—	195.9	—	—	—	—	836.4	—	1,096.3	—	147.2
		—	—	(161.1)	—	(10.5)	—	—	(510.4)	—	(880.3)	—	(195.9)
Manufactured													
Tablets	Mios	10,996.73	574.01	183.5	—	—	3,849.92	—	—	3,607.37	2,878.6	815.14	260.7
		(10,996.73)	(370.16)	(152.0)	—	—	(4,060.49)	—	—	(3,849.56)	(3,077.6)	(574.01)	(183.5)
Capsules	Mios	885.49	47.82	47.3	—	—	157.63	—	—	167.02	430.9	32.47	39.0
		(885.49)	(35.86)	(37.4)	—	—	(231.33)	—	—	(216.57)	(497.3)	(47.82)	(47.3)
Liquids	KLs	16,775.00	1118.34	199.2	—	—	9,187.00	—	—	8,948.50	2,937.5	1010.13	193.2
		(16,775.00)	(729.81)	(132.0)	—	—	(10,130.99)	—	—	(9,582.15)	(2,989.9)	(1118.34)	(199.2)
Powders,Creams & Ointments	MTs	240.50	10.36	12.0	—	—	62.13	—	—	56.52	133.3	15.70	22.6
		(240.50)	(16.87)	(12.1)	—	—	(108.41)	—	—	(113.38)	(182.9)	(10.36)	(12.0)
Bulk Drug & Intermediates (2)	MTs	1,324.10	29.28	49.5	—	—	1,412.49	—	—	1,305.57	1,257.1	76.35	51.6
		(1,324.10)	(6.20)	(11.8)	—	—	(752.33)	—	—	(582.79)	(1,146.2)	(29.28)	(49.5)
Vitamin A in various Forms & Combinations (2)	mmu	77.70	0.48	1.2	—	—	186.85	—	—	161.29	277.0	0.36	0.3
		(77.70)	(3.06)	(8.5)			(161.01)	—	—	(119.75)	(511.1)	(0.48)	(1.2)
Others		—	—	28.0	—	—	—	—	—	—	445.1	—	29.7
		—	—	(9.9)	—	(27.5)	—	—	—	—	(264.6)	—	(28.0)
Excise Duty		—	—	—	—	—	—	—	—	—	(322.4)	—	—
		—	—	—	—	—	—	—	—	—	671.3	—	—
Grand Total				1,215.4		—			3,216.5		12,322.5		1,743.1
				(1,090.3)		(43.2)			(2,681.7)		(12,690.5)		(1,215.4)

Notes :

1. Includes products processed by third parties.
2. Includes production for captive consumption of 162954 kgs (Previous Year 179118 kgs).
3. Stocks are net of breakages & unsaleable stock.
4. Opening stocks, production & closing stocks are net of physician samples.
5. Excludes free samples issued
6. Variation in quantity/value is on account of change in product mix.
7. 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.

Schedule 22 (Contd.)

MATERIALS CONSUMED

	UOM	QUANTITY YEAR ENDED		Rs. in Million YEAR ENDED			
		31.03.05	**31.03.04**		**31.03.05**		**31.03.04**
Codeine Phosphate	Kgs	11098.9	9786.9		380.7		336.0
Sulphamethaxazole	Kgs	115267.0	131447.6		36.7		39.1
Chondroitin Sulphate	Kgs	4127.7	3487.4		19.6		19.9
Verapamil Hydrochloride	Kgs	4959.7	5377.6		17.6		24.5
Others					2472.3		2888.3
Total					**2926.9**		**3307.8**
Whereof:					%		%
Imported at Landed Cost				732.9	25.0	757.1	22.9
Indigenous				2,194.0	75.0	2550.7	77.1
Total				**2926.9**		**3307.8**	

Notes :

1. Components and Spare referred to in Para 4D (c) of Schedule VI of the Companiese Act,1956 are assummed to be those incorporated in goods produced and not those used for maintenance of Plant & Machinery.
2. 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 on physical count, unservicebale items etc.

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract And Company's General Business Profile

I. Registration Details

Registration No. 5719 State Code 11

Balance Sheet Date 31 03 05

Date Month Year

II Capital raised during the year (Amount in Rs. Thousands)

NIL

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
7364970	12821808

Sources of Funds

Paid up Capital	Reserves & Surplus
913754	4543083
Secured Loans	Unsecured Loans
3092103	448868

Application of Funds

Net Fixed Assets	Investments
6879183	258380
Net Current Assets	Miscellaneous Expenditure
2445563	NIL
Accumulated Losses	
NIL	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
12760732	10697978
+ – Profit / Loss Before Tax and exceptional items	+ – Profit / Loss After Tax
+1266609	+1695528
Earnings per Share in Rs. (Profit for the year / Paid up Equity)	Dividend Rate %
8.80	150

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

Item Code No.	300440
Product Description	PHENSEDYL
Item Code No.	300310
Product Description	STEMETIL
Item Code No.	300310
Product Description	PHENERGAN

Signatures to Schedules 1 to 22

Partha Ghosh
Partner
Membership No. F-055913

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

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

I	Name of the Subsidiary Company	NPIL Laboratories and Diagnostics Private Limited	NPIL – Dr. Phadke Pathalogy Laboratory and Infertility Center Private Limited	NPIL – Dr. Golwilkar Laboratories Private Limited	NPIL Fininvest Private Limited	NPIL Pharma Inc.	Piramal International	NPIL Life Sciences Ltd.
		(Rs. in Million)	(Rs. in Million)	(Rs. in Million)	(Rs. in Million)	(Rs. in Million)	(Rs. in Million)	(Rs. in Million)
2	Capital	25.00	3.00	1.00	2.22	4.38	36.79	82.35
3	Reserves	51.52	63.48	39.15	1.45	(26.10)	(36.79)	(0.13)
4	Total Assets	254.27	125.87	52.92	4.88	0.86	—	82.35
5	Total Liabilities	177.75	59.39	12.79	1.21	22.58	—	(0.13)
6	Details of Investment	—	—	—		—	—	—
	– 4,49,199 Equity Shares of Kojam Finvest Limited				4.49			
7	Turnover	210.34	115.15	38.94	—	—	—	—
8	Profit before taxation	38.69	15.20	3.43	1.15	(25.78)	—	(0.13)
9	Provision for taxation	18.80	8.19	2.03	0.43	—*	—	—
10	Profit after taxation	19.89	7.02	1.40	0.73	(25.79)	—	(0.13)
11	Proposed Dividend	—	6.00	—	4.50	—	—	—
12	Exhange Rate Used					43.75	43.75	82.35

*Rs.48081.00

Auditors' report to the Board of Directors of Nicholas Piramal India Limited on the Consolidated Financial Statements of Nicholas Piramal India Limited and its Subsidiaries

1. We have audited (refer para 3(a) and 3(b)) the attached consolidated Balance Sheet of Nicholas Piramal India Limited and its subsidiaries (the Group), as at March 31, 2005, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Nicholas Piramal India Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 misstatements. 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. a) We did not audit the financial statements of subsidiaries and joint ventures NPIL Fininvest Private Limited, Piramal International, NPIL Pharma Inc., NPIL Laboratories and Diagnostics Private Limited, NPIL-Dr. Phadke Pathology Laboratory & Infertility Center Private Limited, NPIL-Dr. Golwilkar Laboratories Private Limited, NPIL Life Sciences Ltd., Allergan India Private Limited, whose financial statements reflect the Group's share of total assets of Rs. 622.3 million as at March 31, 2005 and the Group's share of total revenues of Rs. 810.2 million and net cash outflows amounting to Rs. 3.7 million for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiaries and joint ventures have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the reports of other auditors.

   (b) *As referred in Note 9 on Schedule 22 - the consolidated financial statements include the financial statements of Boots Piramal Healthcare Private Limited for the year ended March 31, 2005, which we did not audit, which reflect the Group's share of total assets of Rs. 168.9 million as at March 31, 2005 and the Group's share of total revenues of Rs. 324.7 million and net cash outflows amounting to Rs. 15.0 million for the year ended on that date as considered in the consolidated financial statements, are on the basis of the unaudited (initialed by their statutory auditor) copy of financial statements and auditors' report (initialed by their statutory auditor) received from Boots Piramal Healthcare Private Limited.*

4. We report that the consolidated financial statements have been prepared by the Nicholas Piramal India Limited's management in accordance with the requirements of Accounting Standards 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Joint Ventures issued by the Institute of Chartered Accountants of India.

5. *Subject to paragraph 3(b)* above, based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanation given to us, 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 Nicholas Piramal India Limited Group as at March 31, 2005;

   (b) in the case of the consolidated Profit and Loss Account, of the profit of Nicholas Piramal India Limited Group for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of Nicholas Piramal India Limited Group for the year ended on that date.

Partha Ghosh
Partner
Membership No. F- 055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Mumbai
Date : April 26, 2005

Balance Sheet as at March 31, 2005

	Schedule No.	As at March 31, 2005 Rs. in Million		As at March 31, 2004 Rs. in Million	
I. SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital					
Equity Shares	1	380.0		380.0	
Preference Shares	1	533.7		150.0	
		913.7		530.0	
Share Capital Suspense	1A	—		383.7	
		913.7		913.7	
Reserves & Surplus	2	4,619.5		3,667.9	
			5,533.2		4,581.6
Minority Interest					
Capital		1.5		1.5	
Reserves & Surplus		39.6		39.4	
			41.1		40.9
Loan Funds					
Secured Loans	3	3,095.3		2,343.2	
Unsecured Loans	4	584.7		1,230.2	
			3,680.0		3,573.4
Deferred Tax Liability			786.9		562.0
TOTAL			10,041.2		8,757.9
II. APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		8,025.9		6,636.8	
Less : Depreciation		1,799.4		1,391.8	
Net Block		6,226.5		5,245.0	
Capital Work In Progress		1,051.8		431.5	
			7,278.3		5,676.5
Investments	6		37.3		52.0
Deferred Tax Assets			190.9		183.3
Current Assets, Loans and Advances					
Inventories	7	2,754.5		1,952.0	
Sundry Debtors	8	1,460.2		1,819.3	
Cash and Bank Balances	9	155.1		253.7	
Other Current Assets	10	63.2		12.0	
Loans and Advances	11	1,272.3		1,557.0	
		5,705.3		5,594.0	
Less: Current Liabilities and Provisions					
Current Liabilities	12	2,366.2		1,948.1	
Provisions	13	804.4		799.8	
		3,170.6		2,747.9	
Net Current Assets			2,534.7		2,846.1
Miscellaneous Expenditure (To the extent not written off or adjusted)			—		—
TOTAL			10,041.2		8,757.9
NOTES TO THE FINANCIAL STATEMENTS	22				

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

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

Partha Ghosh
Partner
Membership No. F–055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal Chairman
G P Goenka Director
Rajesh Khanna Director
Y H Malegam Director
Dr. Swati A Piramal Director – Strategic Alliances & Communications
Urvi A Piramal Director
Harsh Piramal Director

S Ramadorai Director
R A Shah Director
Vijay Shah Director – Chief Operating Officer
Deepak Satwalekar Director
N Vaghul Director
N Santhanam Chief Financial Officer
Leonard D'Souza Company Secretary

Profit and Loss Account for the Year ended March 31, 2005

	Schedule No.	Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million	
INCOME					
Sales		14,610.7		15,643.7	
Less : Excise Duty		640.7		709.9	
Less : Sales Tax		888.2		1,018.6	
Net Sales		13,081.8		13,915.2	
Other Income	14	334.7		257.0	
			13,416.5		**14,172.2**
EXPENDITURE					
Materials	15	6,245.1		6,053.7	
Staff Cost	16	1,549.3		1,482.2	
R & D Expenses	17	495.4		287.0	
Other Expenses	18	3,755.2		3,381.2	
(Increase)/Decrease in WIP/Finished Goods	19	(657.0)		(97.5)	
			11,388.0		**11,106.6**
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			**2,028.5**		**3,065.6**
Less : Interest (Net)	20		192.1		237.9
PROFIT BEFORE DEPRECIATION AND TAX			**1,836.4**		**2,827.7**
Less : Depreciation			524.4		528.7
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			**1,312.0**		**2,299.0**
Less : Exceptional Items – (Income) / Expenses	21		(796.2)		256.1
PROFIT BEFORE TAX			2,108.2		2,042.9
Less : Provision for Taxation – Current [includes prior period tax Rs.4.3 Million (Previous Year Rs.7.6 Million) and Wealth Tax provision Rs.1.5 Million (Previous Year Rs.1.5 Million)] (Refer note 10, Sch.22)		247.5		210.8	
Less : Deferred Tax		217.3		(170.3)	
			464.8		40.5
PROFIT BEFORE MINORITY INTEREST			**1,643.4**		**2,002.4**
Minority Interest			2.9		5.8
PROFIT AFTER MINORITY INTEREST			**1,640.5**		**1,996.6**
Balance Profit brought forward			1,555.7		1,920.9
NET PROFIT AVAILABLE FOR APPROPRIATION			**3,196.2**		**3,917.5**
Proposed Dividend on Equity Shares		570.1		570.1	
Distribution Tax Thereon		80.0		73.0	
Proposed Dividend on Preference Shares		28.2		16.6	
Distribution Tax Thereon		4.0		2.1	
Transfer to General Reserve		169.6		1,700.0	
			851.9		**2,361.8**
BALANCE CARRIED TO BALANCE SHEET			**2,344.3**		**1,555.7**
Earnings Per Share (Basic/Diluted) (Rs.) (Face Value of Rs.2/- each)			8.5		10.4
NOTES TO THE FINANCIAL STATEMENTS	22				

Schedules referred to above and notes attached there to 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.

Partha Ghosh
Partner
Membership No. F–055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

Cash Flow Statement for the year ended March 31, 2005

	Year Ended March 31, 2005 Rs. in Million	Year Ended March 31, 2004 Rs. in Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,108.2	2,042.9
Adjustments for :		
Depreciation	524.4	528.7
Interest Expense	276.4	463.2
Interest Income	(84.3)	(225.3)
Dividend on Investments	(0.7)	(1.5)
Profit on sale of Fixed Assets (net)	(46.8)	5.6
Profit on Sale of Investments (net)	(3.5)	—
Miscellaneous Expenditure written off	—	0.9
Expenses on implementation of GGL Scheme of Arrangement	—	(6.4)
Bad Debts Written off	1.7	—
Provision for diminution in value of Investments	—	1.0
Provision for Doubtful Debts	62.7	72.2
Provision for Leave Encashment	13.3	20.6
Provision for diminution in value of Investments written back	(1.0)	—
Unrealised foreign exchange (gain) / loss	(0.1)	(59.1)
Exceptional Items	(796.2)	256.1
Gain on Prepayment of Sales Tax Deferment Loan	(82.3)	(62.7)
Operating Profit Before Working Capital Changes	**1,971.8**	**3,036.2**
Adjustments For Changes In Working Capital :		
– (INCREASE)/DECREASE in Sundry Debtors	290.7	(123.1)
– (INCREASE)/DECREASE in Other Receivables	47.4	1.5
– (INCREASE)/DECREASE in Inventories	(802.5)	(87.7)
– INCREASE/(DECREASE) in Trade and Other Payables	385.5	30.8
Cash Generated From Operations	**1,892.9**	**2,857.7**
– Taxes Paid (Net of Refunds)	(94.1)	(92.8)
Net Cash Before Exceptional Items	**1,798.8**	**2,764.9**
– Exceptional Items	796.2	(256.1)
Net Cash From / (Used in) Operating Activities (A)	**2,595.0**	**2,508.8**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,769.7)	(609.8)
Capital Work in Progress	(620.3)	(456.8)
Proceeds from Sale of Fixed Assets	363.5	402.3
Purchase of Investments	(56.2)	5.8
Proceeds from Sale of Investments	75.4	(694.3)
Interest Received	67.1	183.7
Dividend on Investments	0.7	1.5
Net Cash (Used in) Investing Activities (B)	**(1,939.5)**	**(1,167.6)**

Cash Flow Statement for the year ended March 31, 2005 (Contd.)

	Year Ended March 31, 2005 Rs. in Million	Year Ended March 31, 2004 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs. NIL (Previous Year Rs.15.4 Million) on reinstatement of Foreign Currency Loan]	349.8	1,118.5
Payments	(319.2)	(1,008.3)
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.NIL (Previous Year Rs.6.8 Million) on reinstatement of Foreign Currency Loan]	27,894.8	23,542.6
Payments	(29,006.4)	(23,899.1)
Proceeds from Fixed Deposits (net)	—	(0.1)
Proceeds from Cash Credits		
Receipts [Excludes Exchange Fluctuation of Rs.10.6 Million (Previous Year Rs.NIL) on reinstatement of Foreign Currency Loan]	2,195.5	1,034.0
Payments	(915.0)	(1,109.4)
Preference Shares Receipt	—	145.0
Preference Shares Payment	—	(245.0)
Interest Paid	(282.7)	(469.0)
Dividend Paid	(589.4)	(404.7)
Dividend Tax Paid	(81.5)	(51.4)
Net Cash (Used in) / from Financing Activities (C)	**(754.1)**	**(1,346.9)**
Net Increase in Cash & Cash Equivalents (A)+(B)+(C)	**(98.6)**	**(5.7)**
Cash and Cash Equivalents As At 31.03.2004	**253.7**	**241.2**
Cash and Cash Equivalents acquired on Amalgamation	—	58.2
Cash and Cash Equivalents transferred pursuant to Scheme of Arrangement	—	(40.0)
Cash and Cash Equivalents As At 31.03.2005	**155.1**	**253.7**
Cash and Cash Equivalents Comprise		
Cash and Cheques on hand	9.1	5.8
Balance with Scheduled Banks	146.0	247.9
	155.1	**253.7**

Notes :

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard–3 issued by the Institute of Chartered Accountants of India.

2 Cash and cash equivalents includes Rs.19.2 Million which are not available for use by the Company. (Refer Schedule 9 in the accounts)

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

Partha Ghosh
Partner
Membership No. F-055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

Schedules forming part of the Balance Sheet as at March 31, 2005

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
I. 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
	1,250.0	1,250.0
ISSUED & SUBSCRIBED		
19,00,16,005 (19,00,16,005) Equity Shares of Rs. 2/- each	380.0	380.0
15,00,000 (15,00,000) 6% Non Cumulative Redeemable Preference Shares of Rs.100/- each	150.0	150.0
Preference shares are redeemable on the expiry of 4 years from the Appointed Date January 01, 2003, with an option for both the Company and the shareholder for early redemption, but not before March 31, 2004		
15,00,000 (Nil) 5% Cumulative Redeemable Preference Shares of Rs.100/- each.	150.0	—
Preference shares are redeemable on the expiry of 5 years from the Appointed Date October 01, 2003, with an option for the Company for early redemption, but not before March 31, 2005		
2,33,72,280 (Nil) 5% Cumulative Redeemable Preference Shares of Rs.10/- each	233.7	—
Preference Shares are redeemable on the expiry of 5 years from the Appointed Date December 01, 2003, with an option for the company for early redemption but not before March 31, 2005.		
* Each of the Equity and Unclassified shares in the Share Capital of the Company was Sub divided from 1(one) share of face value of Rs.10/- each to 5(five) shares of face value of Rs.2/- each w.e.f. December 17, 2004. (Refer note 19 (b), Sch. 22)		
TOTAL	**913.7**	**530.0**
1A. SHARE CAPITAL SUSPENSE		
Nil (15,00,000) 5% Cumulative Redeemable Preference Shares of Rs.100/- each to be alloted to the erstwhile shareholders of Canere Actives and Fine Chemicals Private Limited pursuant to its merger with the company effective October 01,2003.	—	150.0
Nil (2,33,72,280) 5% Cumulative Redeemable Preference Shares of Rs.10/- each to be alloted to the erstwhile shareholders of The Morarjee Goculdas Spg. & Wvg. Co. Limited pursuant to demerger of Tools Division of Morarjee into the company effective December 01, 2003.	—	233.7
TOTAL	—	**383.7**

Notes :

Of the above :

1. 3,90,85,590 (3,90,85,590) Equity Shares of Rs.2/- each were allotted as fully paid bonus shares by capitalisation of Share Premium/General reserve.
2. 82,50,000 (82,50,000) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
3. 88,67,010 (88,67,010) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
4. 51,97,050 (51,97,050) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
5. 3,75,25,020 (3,75,25,020) Equity Shares of Rs.2/- each were allotted to erstwhile shareholders of Piramal Healthcare Limited (PHL) as per scheme of arrangement.
6. The erstwhile Piramal Healthcare Limited shareholders held 9,62,180 warrants with a right to convert into 75 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 (9,52,644) warrants were converted into 3,57,24,155 (3,57,24,155) shares resulting in the Issued and Subscribed Capital increasing by Rs.71.4 Million (Rs. 71.4 Million). The remaining 9,536 warrants were cancelled.
7. 1,57,50,000 (1,57,50,000) Equity Shares of Rs. 2/- each were allotted to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.

Schedules forming part of the Balance Sheet as at March 31, 2005

	Note	As at March 31, 2005 Rs. in Million		As at March 31, 2004 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		42.0	
Less : Transferred as per Scheme of Arrangement		—		42.0	
Add : Transferred as per Scheme of Arrangement		—		16.2	
			16.2		**16.2**
SHARE PREMIUM ACCOUNT					
As per last Balance Sheet		—		841.2	
Less : Transferred as per Scheme of Arrangement		—		681.8	
Less : Transferred as per Scheme of Amalgamation		—		159.4	
			—		—
GENERAL RESERVE					
As per last Balance Sheet		1987.6		1,006.5	
Add : Consolidation adjustment		(6.4)		—	
Less : Transferred as per Scheme of Amalgamation		—		79.1	
Less : Impairment loss of Intangible Assets		—		83.3	
Less : Transferred as per Scheme of Amalgamation		—		565.5	
Add : Transferred as per Scheme of Arrangement		—		9.0	
Add : Transferred from Profit and Loss Account		169.60		1,700.0	
			2,150.8		**1,987.6**
DEBENTURE REDEMPTION RESERVE					
As per last Balance Sheet		91.7		158.9	
Less : Transferred as per Scheme of Arrangement		—		67.2	
			91.7		**91.7**
EXCHANGE RESERVE					
As per last Balance Sheet		12.7		(1.6)	
Less : Transferred as per Scheme of Arrangement		—		(13.1)	
Add : Created During the year		(0.2)		1.2	
			12.5		**12.7**
CAPITAL REDEMPTION RESERVE					
As per last Balance Sheet		—		131.7	
Less : Transferred as per Scheme of Arrangement		—		131.7	
			—		—
PROFIT & LOSS ACCOUNT					
As per annexed Profit and Loss Account			**2,344.3**		**1,555.7**
TOTAL			**4,619.5**		**3,667.9**
3. SECURED LOANS	Note				
Cash Credit from Banks (Includes Packing Credit Loans)	1		1,765.8		496.0
6.9% Non Convertible Secured Debentures Redeemable at par at the end of 2nd year from the date of allotment – 28/10/02			—		100.0
7% Non Convertible Secured Debentures Redeemable at par at the end of 3rd year from the date of allotment – 28/10/02	2		200.0		200.0
Term Loan From Bank / Financial Institutions	3		1,126.6		1,545.2
Finance Leases			2.9		2.0
TOTAL			**3,095.3**		**2,343.2**

Schedules forming part of the Balance Sheet as at March 31, 2005

Notes on Secured Loans

1. Cash Credit facilities including Packing Credit in Foreign Currency (PCFC) and Working Capital Demand Loan (WCDL) are secured by hypothecation of stocks, book debts and Vehicles (in case of Boots Piramal Healthcare Private Limited).

2. 7% Non–Convertible Secured Debentures of Rs. 200.0 Million are secured by First charge of immoveable property of the company situated at various manufacturing locations/R&D Center at Mulund* and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

3. Term Loans from Banks are secured by the following:-

   a. ECB loan of Rs.470.5 Million (US$ 10.0 Million) from Rabo Bank is secured by First charge of immoveable property of the company situated at various manufacturing locations/R&D Center at Mulund* and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   b. ECB loan of Rs.218.5 Million (US$ 5.0 Million) from Citi Bank has been secured by first charge of immovable property of the company situated at various manufacturing locations and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   c. ECB loan of Rs.437.6 Million (US$ 10.0 Million) from BNP Paribas, Singapore has been secured by first charge of immovable property of the company situated at various manufacturing locations and further secured by hypothecation of the moveable assets of the company, both present and future (save and except book debts) subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements.

   * Charge on R & D Centre at Mulund is in process of being released by lenders.

4. Satisfaction of charges in respect of certain loans is still awaited.

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
4. UNSECURED LOANS		
Sales Tax Deferment Loans (Interest free) [Payable within a year Rs.NIL Million (Previous year Rs.20.2 Million)]	—	297.2
Fixed Deposits [Payable within a year Rs.NIL (Previous year Rs.NIL)]	0.3	0.4
Term Loan from Financial Institutions / Banks	448.9	731.1
Loan from other Companies	110.3	177.0
Others	25.2	24.5
TOTAL	**584.7**	**1,230.2**

5. FIXED ASSETS

(Rs. in Million)

Particulars	COST							DEPRECIATION / AMORTISATION						NET BLOCK	
	Opening As at 01-04-2004	Consolidation Adjustment **	Revised Open As at 01-04-2004	Amalga-mation	Additions ***	Deductions	As at 31-03-2005 (A)	Opening As at 01-04-2004	Consolidation Adjustment **	Revised Open As at 01-04-2004	For the Year	Deductions	As at 31-03-2005 (B)	As at 31-03-2005 (A-B)	As at 31-03-2004 Revised
Intangible Assets															
Brand/Know–how/ Intellectual Property Rights/Goodwill * (Refer note 21, Sch. 22)	2,136.4	33.5	2,169.9	—	607.9	—	2,777.8	346.8	—	346.8	234.6	—	581.4	2,196.4	1,823.1
Computer Software	81.8	—	81.8	—	50.0	—	131.8	45.9	—	45.9	12.4	—	58.3	73.5	35.9
Tangible Assets															
Land Leasehold	15.1	—	15.1	—	—	—	15.1	1.8	—	1.8	0.2	—	2.0	13.1	13.3
Land Freehold	198.1	—	198.1	—	—	85.6	112.5	—	—	—	—	—	—	112.5	198.1
Building	835.1	2.2	837.3	—	349.3	46.9	1,139.7	111.9	0.1	112.0	47.9	5.2	154.7	985.0	725.3
Plant & Machinery	3,018.0	11.5	3,029.5	—	687.0	171.3	3,545.2	773.1	1.5	774.6	205.3	79.2	900.7	2,644.5	2,254.9
Furniture & fixtures & Office Equipment	219.6	3.6	223.2	—	72.8	57.2	238.8	86.0	0.5	86.5	16.2	24.0	78.7	160.1	136.7
Motor Vehicle/ Transport	77.8	1.0	78.8	—	0.8	18.6	61.0	22.9	0.2	23.1	6.9	7.8	22.2	38.8	55.7
Motor Vehicle/Lease	3.1	—	3.1	—	1.9	1.0	4.0	1.1	—	1.1	0.9	0.6	1.4	2.6	2.0
Grand Total	**6,585.0**	**51.8**	**6,636.8**	**—**	**1,769.7**	**380.6**	**8,025.9**	**1,389.5**	**2.3**	**1,391.8**	**524.4**	**116.8**	**1,799.4**	**6,226.5**	**5,245.0**
Previous Year	10,959.3	(6,421.5)	—	1,879.6	609.8	390.4	6,636.8	2,833.9	(1,792.3)	—	528.7	178.5	1,391.8		

Capital work in Progress (including Capital Advances)**** (Includes know – how acquired and pending for commercial production)	1051.8	431.5
	7,278.3	5,676.5

* 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 8 on Schedule 22.

*** Additions during the year includes additions from Rhodia and Alpex (Refer note 4 & 6, Sch.22)

**** Refer note 20, Sch.22.

Schedules forming part of the Balance Sheet as at March 31, 2005

6. INVESTMENTS (Long Term, Non Trade)

		Nos. as at March 31, 2005	Nos. as at March 31, 2004	Face Value Rupees	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
A)	**Units (Unquoted)** Units of Unit Trust of India — 6.75% Tax Free US 64 Bonds	28350	28350	10.00	0.3	0.3
B)	**Mutual Funds (Quoted)**					
	Mastershares	21320	21320	10.00	0.3	0.3
	Units of Birla Advantage Fund Plan A— Dividend Payout	—	218360	10.00	—	9.1
	Units of Birla Mid— Cap Fund Plan A— Dividend Payout	—	266884	10.00	—	3.3
	Units of UTI Master Value Fund — Income	—	145747	10.00	—	3.4
	Units of UTI Growth Sector Fund— Petro (Income)	—	92874	10.00	—	2.5
	Units of Reliance Vision Fund — Dividend Plan	—	55593	10.00	—	1.9
C)	**Others (Unquoted)**					
	Wellquest Research Private Limited	5000	5000	10.00	0.1	0.1
D)	**Trade Investment (Quoted)**					
	Ambalal Sarabhai Enterprises Limited	9592653	9592653	10.00	32.1	32.1
	Dalmia Cements Limited Rs. 220.00 (Rs.220)	80	80	10.00	—	—
	Kojam Finvest Limited	449199	—	10.00	4.5	—
	TOTAL				**37.3**	**53.0**
Less : Provision for diminution in value of Investment					—	1.0
					37.3	**52.0**

		As at March 31, 2005 Cost Rs. in Million	As at March 31, 2005 Market Value Rs. in Million	As at March 31, 2004 Cost Rs. in Million	As at March 31, 2004 Market Value Rs. in Million
1.	Aggregate value of quoted investments	36.9	159.8	51.6	84.3
2.	Aggregate value of unquoted investments	0.4		0.4	
	TOTAL	37.3		52.0	

Schedules forming part of the Balance Sheet as at March 31, 2005

		As at March 31, 2005 Rs. in Million		As at March 31, 2004 Rs. in Million
7. INVENTORIES (As certified by the Management)				
Raw & Packing Materials		670.2		530.3
Work-in-progress		285.3		167.6
Finished Goods		1,748.6		1,209.3
Engineering Stores		50.4		44.8
TOTAL		**2,754.5**		**1,952.0**
8. SUNDRY DEBTORS				
i. Over six months				
Secured – considered good	4.7		4.2	
Unsecured – considered good	270.3		175.1	
– considered doubtful	245.7		183.4	
	520.7		362.7	
Less : Provision for doubtful debts	245.7		183.4	
		275.0		179.3
ii. Others				
Secured – considered good	12.6		51.0	
Unsecured – considered good	1,172.6		1,589.0	
– considered doubtful	1.0		1.0	
	1,186.2		1,641.0	
Less : Provision for doubtful debts	1.0		1.0	
		1,185.2		1,640.0
TOTAL		**1,460.2**		**1,819.3**
9. CASH AND BANK BALANCES				
i. Cash and Cheques on Hand		9.1		5.8
ii. Balance with Scheduled Banks				
– Current account		102.0		187.8
– Current account in respect of Unclaimed Dividend Warrants		19.2		17.2
– Others		24.8		42.9
TOTAL		**155.1**		**253.7**
10. OTHER CURRENT ASSETS				
Interest, Rent & Claims Receivable		63.2		12.0
TOTAL		**63.2**		**12.0**
11. LOANS AND ADVANCES				
Unsecured & Considered Good unless otherwise stated Advances recoverable in cash or in kind or for value to be received		628.5		564.1
Advance Tax Less Provision		88.6		239.0
Loan to Companies		36.0		—
Share Application Money		—		4.5
Other Deposits		489.6		721.1
Balance with Customs, Port Trust and Excise Authorities on Current Account		29.6		28.3
TOTAL		**1,272.3**		**1,557.0**

Schedules forming part of the Balance Sheet as at March 31, 2005

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
12. CURRENT LIABILITIES		
Sundry Creditors for Capital goods, Materials & Expenses		
– Small Scale Industrial Undertakings	8.5	47.7
– Others	2,057.6	1,530.4
Advances from customers	19.3	36.7
Investor Education and Protection Fund Shall be Credited by		
– Unpaid Dividend	19.2	17.2
Interest Accrued But Not Due	11.9	18.2
Other Liabilities	249.7	297.9
TOTAL	**2,366.2**	**1,948.1**
13. PROVISIONS		
Proposed Dividend on Equity Shares	570.1	570.1
Proposed Dividend on Preference Shares	28.2	16.6
Provision for Wealth Tax less payment	1.0	3.8
Tax Payable on Proposed Dividend	84.0	75.1
Tax Payable on Proposed Dividend – Subsidiary Companies	5.8	—
Provision for Employees Retirement benefits	115.3	134.2*
TOTAL	**804.4**	**799.8**

* includes contingencies Rs.23.0 Million

Schedules annexed to and forming part of the Profit and Loss Account for the Year ended March 31, 2005

	Year Ended March 31, 2005 Rs. in Million	Year Ended March 31, 2004 Rs. in Million
14. OTHER INCOME		
Dividend on Investments	0.7	1.5
Profit on sale of Assets (net)	46.8	—
Profit on sale of Investment	3.5	—
Provision for diminution in value of investments written back	1.0	—
Processing Charges Received	9.6	27.0
Services & Commission	23.7	27.0
Rent Received	13.3	40.4
Power generation	—	2.2
Gain on Prepayment of Sales Tax Deferment Loan	82.3	62.7
Export Incentive	71.3	4.1
Miscellaneous Income	82.5	92.1
TOTAL	**334.7**	**257.0**
15. MATERIALS		
Raw and Packing Materials	2,926.9	3,442.7
Purchase of Trading Goods	3,318.2	2,611.0
TOTAL	**6,245.1**	**6,053.7**
16. STAFF COST (Net of Recoveries) (Refer note 22, Sch. 22)		
Salaries, Wages, Bonus and Gratuity	1,295.6	1,259.3
Contribution to Provident and other funds	136.9	125.7
Staff Welfare	116.8	97.2
TOTAL	**1,549.3**	**1,482.2**
17. RESEARCH AND DEVELOPMENT EXPENSES		
R & D Expenses	495.4	287.0
TOTAL	**495.4**	**287.0**

Schedules annexed to and forming part of the Profit and Loss Account for the Year ended March 31, 2005

		Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million
18. OTHER EXPENSES (Net of Recoveries) (Refer note 22, Sch. 22)				
Processing Charges		271.0		156.0
Stores and Spares consumed		149.9		89.5
Power, Fuel & Water Charges		263.9		319.9
Repairs and Maintenance				
Buildings	112.8		31.6	
Plant and Machinery	69.9		63.9	
Others	12.8		10.2	
		195.5		105.7
Rent				
Premises	60.0		71.7	
Other assets	97.2		53.4	
		157.2		125.1
Rates & Taxes (includes Excise Duty)		107.1		139.4
Insurance		28.6		31.5
Travelling expenses		507.5		441.7
Directors' Commission		—		24.7
Directors' Fees		0.8		0.6
Provision for Doubtful Debts		62.7		72.2
Bad Debts Written Off		1.7		—
Loss on sale of Fixed Assets (net)		—		5.6
Provision for Diminution in Value of Investments		—		1.0
Advertisement and Business Promotion Expenses		605.5		580.6
Freight		240.4		184.5
Clearing and Forwarding Expenses		239.7		230.5
Claims		244.3		177.0
Legal and Professional Charges		189.5		211.7
Miscellaneous Expenditure Written Off		—		0.9
Miscellaneous Expenses		489.9		483.1
TOTAL		**3,755.2**		**3,381.2**
19. (INCREASE) / DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS				
OPENING STOCKS :				
Work-in-progress	167.6		155.7	
Work-in-progress - On Scheme of Amalgamation	—		24.0	
Finished goods	1,209.3		1,350.0	
Finished goods - On Scheme of Amalgamation	—		43.2	
		1,376.9		1,572.9
Stock Transferred as per Consolidation Adjustment :				
Work-in-Progress	—		54.9	
Finished Goods	—		238.6	
		—		293.5
CLOSING STOCKS :				
Work-in-progress	285.3		167.6	
Finished goods	1,748.6		1,209.3	
		2,033.9		1,376.9
(Increase)/Decrease in WIP/ Finished Goods		**(657.0)**		**(97.5)**

Schedules annexed to and forming part of the Profit and Loss Account for the Year ended March 31, 2005

	Year Ended March 31, 2005 Rs. in Million		Year Ended March 31, 2004 Rs. in Million	
20. INTEREST				
Interest on Fixed loan & Debentures	187.4		334.0	
Interest on Others	89.0		129.2	
		276.4		463.2
Less : Interest Received :				
(i) On term deposits with Limited Companies & others	54.0		176.0	
(ii) On Receivables and Others	30.3		49.3	
		84.3		225.3
TOTAL		**192.1**		**237.9**
21. EXCEPTIONAL ITEMS				
Voluntary Retirement Scheme		6.8		168.2
Related Expenses to Voluntary Retirement Scheme		19.2		41.2
Others (Including Contingencies)		—		46.7
Consideration for return of Marketing and Distribution rights to Roche Diagnostics (net of expenses)	(862.1)		—	
Provision for Stocks and Debtors (Refer note 5, Sch.22)	39.9		—	
		(822.2)		—
TOTAL		**(796.2)**		**256.1**

22. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) **Basis of Accounting**

The financial statements are prepared under the historical cost convention and comply with the applicable Accounting Standards in the country of incorporation.

ii) **Principles of consolidation**

a. The consolidated financial statements relate to Nicholas Piramal India Limited, its Subsidiary Companies and Joint Venture Companies. 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. Pursuant to the revision in AS–27 “Financial Reporting of Interests in Joint Ventures” w.e.f. April 01, 2004, subsidiaries in the nature of Joint Ventures, which were hitherto consolidated on proportionate basis as per AS–27 “Financial Reporting of Interests in Joint Ventures” as Joint Ventures, have been consolidated as subsidiaries as per AS–21 "Consolidated Financial Statements” (Refer note 4).

4. The excess of cost to the Company of its investment in the Subsidiary Company is recognized in the financial statements as Goodwill which is amortised over a period of ten years. The excess of Company’s share of equity and reserves of the Subsidiary Company over the cost of acquisition is treated as Capital Reserve.

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, 2005
NPIL Laboratories and Diagnostics Private Limited	India	100%
NPIL – Dr. Phadke Pathology Laboratory & Infertility Center Private Limited	India	60%
NPIL – Dr.Golwilkar Laboratories Private Limited	India	70%
NPIL Fininvest Private Limited (NFL)	India	100%
Piramal International (PI)	Mauritius	100%
NPIL Pharma Inc. (NPI)	U.S.A	100%
Allergan India Private Limited	India	49%
Boots Piramal Healthcare Private Limited (Boots)	India	49%
NPIL Life Sciences Ltd.	U.K.	100%

c. A new subsidiary NPIL Life Sciences Ltd. was incorporated during the year on June 22, 2004 in the United Kingdom. The operations of the subsidiary from the date of its incorporation till the year end have been included in these consolidated financial statements.

iii) **Exchange Adjustments**

In case of PI, NPI and NPIL Life Sciences Ltd. the summarized revenue and expense transactions at the period end reflected in Profit & Loss Account have been translated into Indian Rupees at an average of average monthly exchange rate.

The assets and liabilities in the Balance Sheet have been translated into Indian Rupees at the closing exchange rate at the period end. The resultant translation exchange, gain / loss has been disclosed as Exchange Reserves in Reserves and Surplus.

iv) **Other Significant Accounting Policies**

These have been set out in the Notes to Accounts under Significant Accounting Policies for financial statements of the respective companies.

Schedule 23 (Contd.)

		As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
2	Estimated Amount of outstanding contracts / Capital Commitment	529.2	362.8
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. Guarantees issued to Government authorities and limited companies including performance guarantees.	62.9	51.9
	c. Appeals filed in respect of disputed demands : Income Tax		
	– where the Company is in appeal	942.4	153.7
	– where the Department is in appeal	1001.8	513.6
	Sales Tax	45.0	33.2
	Central Excise	408.0	101.0
	Labour Matters	5.0	3.6
	Stamp Duty	40.5	40.5
	d. Bills Discounted	90.2	119.2

4. Pursuant to an agreement dated December 10, 2004 and Board approval dated December 17, 2004, the Company has acquired the global Inhalation Anaesthetics business of Rhodia Organique Fine Limited (Rhodia), UK, for a consideration of USD 14.0 Million. Accordingly, effective January 10, 2005, Technical Know How and Business IPR related to the said business along with inventory as on that date were transferred to the Company. The acquisition gives NPIL access to the manufacturing technology and facilities as well as the global sales and marketing rights for Inhalation Anaesthetics products.

5. Exceptional items include Rs.822.2 Million (net of expenses Rs.105.4 Million) received from Roche Diagnostics Gmbh, Germany, (Roche) under the settlement agreement where under the marketing and distribution rights of the Company of its entire diagnostics range of products have been returned to Roche effective January 01, 2005 for an aggregate sum of USD 22.0 Million (inclusive of equipment returned back of the value of USD 1.3 Million).

6. Pursuant to an agreement dated January 01, 2005 and board approval dated October 21, 2004, the Company has acquired the Ophthalmic business of Alpex International Private Limited on a going concern basis for a consideration of Rs.134.4 Million. Accordingly, all the assets and liabilities related to the said business were transferred to the Company effective January 01, 2005. The Ophthalmic business includes the manufacturing facilities and the marketing and distribution rights of two API products.

7. The results for the year ended March 31, 2005 are not strictly comparable with that of the previous year as the current year's figure :

   a) include operations of erstwhile Canere Actives and Fine Chemicals Private Limited (Canere) for the full year as against operations of six months (October 01, 2003 to March 31, 2004) included in the previous year consequent to its merger with the Company effective October 01, 2003.

   b) include operations of the Tools Division of The Morarjee Goculdas Spg. & Wvg. Co. Ltd. (Morarjee) for the full year as against operations of four months (December 01, 2003 to March 31, 2004) included in the previous year consequent to its demerger from Morarjee into the Company effective December 01, 2003.

   c) do not include operations of Gujarat Glass Private Limited (GGPL) consequent to the transfer of Company's investment in GGPL effective July 01, 2003 to Kojam Fininvest Limited in terms of a approved Scheme of Arrangement. The Consolidated Profit and Loss Account for the year ended March 31, 2004 includes the financial results of GGPL and its subsidiaries only for the period April 01, 2003 to June 30, 2003.

   d) include operations of the global Inhalation Anaesthetics (IA) business of Rhodia for the period January 10, 2005 to March 31, 2005 pursuant to its acquisition effective January 10, 2005.

   e) include operation of the Diagnostics business from Roche for the period April 01, 2004 to December 31, 2004 as against the full years operation included in the previous year pursuant to a settlement for discontinuance reached with Roche effective January 01, 2005.

8. Pursuant to the revision in AS-27, subsidiaries in the nature of Joint Ventures, which were hitherto consolidated on proportionate basis as per AS-27 as Joint Ventures, have been consolidated as subsidiaries as per AS-21. Accordingly, figures for the previous year have been restated on a total basis and the share of minority has been eliminated.

9. The consolidated financial statements include the financial statements of Boots Piramal Healthcare Private Limited (Boots Piramal) for the year ended March 31, 2005, which have been consolidated on a proportionate basis (as per Accounting Standard-27) and on the basis of the initialed copy of financial statements and initialed Auditor's Report by their statutory auditors received from Boots Piramal. The proportionate figures of Boots Piramal included in these consolidated financial statements are Rs.168.9 Million and Rs.85.6 Million under Assets and Liabilities respectively as at March 31, 2005 and Sales and Profit after Tax of Rs.319.3 Million and Rs.40.0 Million respectively in the Profit and Loss Account for the year ended March 31, 2005.

10. In view of the set off of the accumulated losses / unabsorbed depreciation of Rs.1243.2 Million available to the Company under section 72A of the Income Tax Act, 1961 (the Act) there is no tax liability on the Company except under section 115JB of the Act, which has been provided for.

Schedule 23 (Contd.)

11. The erstwhile registered office of the Company at 100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012 was destroyed in a fire on October 29, 2004 causing loss of Company's records, computers, furniture and office equipments. The insurance claim of Rs.122.2 Million made by the Company in this respect has been admitted by the insurance Company and an interim payment of Rs.27.5 Million been received. Further, the management has also taken necessary steps to salvage the damaged records and compile data to the extent possible from the documents, statistics and data available. Pending settlement of the claim the written down value of assets destroyed have been shown as recoverable from Insurance Company and adjustments, if any, will be made on final settlement.

12. Major components of deferred tax assets and liabilities arising are :

Rs. in Million

	As at March 31, 2005		As at March 31, 2004	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
On account of timing differences				
– Depreciation	—	786.9	—	562.0
– VRS	97.9	—	114.9	—
– Others	93.0	—	68.4	
Total	190.9	786.9	183.3	562.0

13. a) The Company is organized into following reportable segments referred to in Statement of Accounting Standard – AS–17 for segmental reporting :

(Rs. in Million)

Details	Pharmaceuticals		Glass		Other Business		Inter – Segment		Total	
	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004
Revenue										
– External	13,050.6	13,230.9	—	667.6	365.9	273.7	—	—	13,416.5	14,172.2
– Inter – Segment	365.7	500.1	—	19.7	—	—	365.7	519.8	—	—
Total Revenue	13,416.3	13,731.0	—	687.3	365.9	273.7	365.7	519.8	13,416.5	14,172.2
Result										
Profit Before Interest, Depreciation and Tax	1,927.3	2,784.4	—	202.5	101.2	78.7	—	—	2,028.5	3,065.6
Less : Interest (Net)	181.0	162.3	—	66.2	11.1	9.4	—	—	192.1	237.9
Less : Depreciation	486.3	422.8	—	94.3	38.1	11.6	—	—	524.4	528.7
Profit Before Tax and Exceptional Items	1,260.0	2,199.3	—	42.0	52.0	57.7	—	—	1,312.0	2,299.0
Less : Exceptional Items	(796.2)	217.0	—	39.1	—	—	—	—	(796.2)	256.1
Profit Before Tax	2,056.2	1,982.3	—	2.9	52.0	57.7	—	—	2,108.2	2,042.9
Less : Provision for Tax	434.4	6.1	—	15.0	30.4	19.4	—	—	464.8	40.5
Profit after Tax	1,621.8	1,976.2	—	(12.1)	21.6	38.3	—	—	1,643.4	2,002.4
	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004	March 2005	March 2004
Other Information										
Segment Assets	12,922.0	11,147.8	—	—	438.8	451.1	(149.0)	(93.1)	13,211.8	11,505.8
Segment Liabilities	7,583.6	6,747.5	—	—	244.0	269.8	(149.0)	(93.1)	7,678.6	6,924.2
Capital Expenditure	2,314.8	978.5	—	31.1	75.2	57.0	—	—	2,390.0	1,066.6
Depreciation	486.3	422.8	—	94.3	38.1	11.6	—	—	524.4	528.7
Non Cash Expenses Other than Depreciation	63.9	77.2	—	2.9	1.0	0.1	—	—	64.9	80.2

b) Geographical Segment

The geographical segmentation is not relevant as exports and operations of foreign subsidiaries are not significant.

14. During the period, NPIL Laboratories and Diagnostics Private Limited has purchased Deshpande Clinical Laboratory w.e.f. May 15, 2004 and healthcare business from Piramal Healthcare Private Limited w.e.f. April 01, 2004.

15. 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

— Glass Engineers Private Limited
— Legend Pharma Private Limited
— Nandan Piramal Investment Private Limited
— Piramal Texturising Private Limited
— Swati Piramal Investment Private Limited
— Vulcan Investment Private Limited

There were no transactions during the year with the above companies.

Schedule 23 (Contd.)

B. Associate Companies

- — Morarjee Realties Limited (Morarjee Realties) (Formerly The Morarjee Goculdas Spg. & Wvg. Co. Limited)
- — Morarjee Textiles Limited (Morarjee Textiles)
- — Morarjee Castiglioni (India) Limited
- — Piramal Healthcare Private Limited (Piramal Healthcare)
- — Piramal Enterprises Limited (Piramal Enterprises)
- — Piramal Holdings Limited (Piramal Holdings)
- — Thundercloud Technologies (India) Private Limited (Thundercloud technologies)
- — Piramyd Retail and Merchandising Private Limited
- — The Swastik Safe Deposits and Investments Limited (Swastik Safe)

C. Key Management Personnel

- — Mr. Ajay G. Piramal
- — Dr. Swati A. Piramal
- — Mr. Vijay Shah
- — Mr. N. Santhanam
- — Dr. Somesh Sharma
- — Mr. Harsh Piramal (Upto June 30, 2004)
- — Mr. J. C. Saigal

Details of Transactions	Associates		Key Management Personnel		Total	
	2005	2004	2005	2004	2005	2004
Purchase of Goods						
– Morarjee Textiles	0.6	—	—	—	0.6	—
– Others	—	0.1	—	—	—	0.1
TOTAL	0.6	0.1	—	—	0.6	0.1
Sale of Goods						
– Piramal Healthcare	0.1	0.9	—	—	0.1	0.9
TOTAL	0.1	0.9	—	—	0.1	0.9
Purchase of Fixed Assets						
– Thundercloud Technologies	0.2	5.9	—	—	0.2	5.9
– Piramal Enterprises	—	0.9	—	—	—	0.9
TOTAL	0.2	6.8	—	—	0.2	6.8
Sale of Fixed Assets						
– Morarjee Realties	0.7	0.1	—	—	0.7	0.1
– Morarjee Textiles	0.4	—	—	—	0.4	—
– Piramal Holdings	1.4	0.2	—	—	1.4	0.2
TOTAL	2.5	0.3	—	—	2.5	0.3
Rendering of Services						
– Morarjee Realties	—	0.1	—	—	—	0.1
– Thundercloud Technologies	—	0.4	—	—	—	0.4
TOTAL	—	0.5	—	—	—	0.5
Receiving of Services						
– Piramal Enterprises	45.2	24.6	—	—	45.2	24.6
– Piramal Holdings	76.3	21.2	—	—	76.3	21.2
– Thundercloud Technologies	11.4	12.2	—	—	11.4	12.2
– Others	13.0	19.9	—	—	13.0	19.9
TOTAL	145.9	77.9	—	—	145.9	77.9
Rent Paid						
– Morarjee Realties	1.5	16.4	—	—	1.5	16.4
– Piramal Healthcare	9.4	9.2	—	—	9.4	9.2
TOTAL	10.9	25.6	—	—	10.9	25.6

Schedule 23 (Contd.)

Details of Transactions	Associates		Key Management Personnel		Total	
	2005	2004	2005	2004	2005	2004
Management Contracts including for Deputation of Employees – Services rendered						
– Piramal Healthcare	0.8	0.7	—	—	0.8	0.7
TOTAL	0.8	0.7	—	—	0.8	0.7
Management Contracts including for Deputation of Employees – Services received.						
– Piramal Enterprises	0.3	0.4	—	—	0.3	0.4
– Piramal Healthcare	—	0.3	—	—	—	0.3
TOTAL	0.3	0.7	—	—	0.3	0.7
Remuneration						
– Mr. Ajay Piramal	—	—	12.5	22.6	12.5	22.6
– Dr. Swati A Piramal	—	—	7.0	10.2	7.0	10.2
– Mr. Vijay Shah	—	—	7.2	12.2	7.2	12.2
– Dr Somesh Sharma	—	—	11.5	11.1	11.5	11.1
– Others	—	—	8.3	12.3	8.3	12.3
TOTAL	—	—	46.5	68.4	46.5	68.4
Others – Payments						
– Piramal Holdings	30.2	—	—	—	30.2	—
TOTAL	30.2	—	—	—	30.2	—
Others – Receipts						
– Morarjee Realties	125.0	—	—	—	125.0	—
– Others	—	—	—	—	—	—
TOTAL	125.0	—	—	—	125.0	—
Receivable						
– Morarjee Textiles	0.4	—	—	—	0.4	—
– Piramal Healthcare	0.2	0.3	—	—	0.2	0.3
TOTAL	0.6	0.3	—	—	0.6	0.3
Payable						
– Thundercloud Technologies	0.6	0.8	—	—	0.6	0.8
– Swastik Safe	3.0	4.2	—	—	3.0	4.2
– Piramal Healthcare	—	2.5	—	—	—	2.5
– Piramal Holdings	—	1.3	—	—	—	1.3
– Others	0.2	—	—	—	0.2	—
TOTAL	3.8	8.8	—	—	3.8	8.8

16. The Company has opted for the Group Gratuity-Cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The Company's contribution to this scheme is charged to the Profit and Loss Account for the year. The difference between the actuarial valuation and the funds with LIC has been adequately provided for in the Profit and Loss Account.

17. An erstwhile Contractor has made a claim of Rs.80.0 Million on Canere before an Arbitration panel appointed in terms of contract between Canere and the Contractor. Canere has filed a counter claim of Rs.382.6 Million on the Contractor. No award has yet been made by the Arbitration panel.

18. The Company's significant leasing arrangements are mainly in respect of residential / office premises 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.372.3 Million (Previous Year Rs.382.5 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of vehicles, equipments and computers on lease :

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
Payable :		
Not Later than one year	91.0	68.0
Later than one year but not later than five years	210.5	149.4
Later than five years	—	—

Schedule 23 (Contd.)

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

	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
a) Total Minimum Lease Rentals Payable	3.6	2.8
b) Future Interest included in (a) above	0.6	0.5
c) Present Value of Minimum Lease Rentals (a – b)	3.0	2.3

Lease Rentals Payable :	As at March 31, 2005 Rs. in Million	As at March 31, 2004 Rs. in Million
Not Later than one year	1.1	0.9
Later than one year but not later than five years	2.5	1.9
Later than five years	—	—

19. a) Earning Per Share (EPS) – EPS is calculated by dividing the profit attributable to the equity shareholders by the 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, 2005	For the Year ended March 31, 2004
1. Profit after tax and before minority interest (Rs. in Million)	1643.4	2002.4
2. Minority Interest (Rs. in Million)	2.9	5.8
3. Preference dividend and distribution tax thereon	32.2	18.7
4. Profit Attributable to Equity Shareholders of the Company (Rs. in Million)	1608.3	1977.9
5. Number of Shares (nos)	190016005	190016005
6. EPS (Rs.)	8.5	10.4
7. Face Value per share (Rs.)	2.0	2.0

b) Pursuant to the approval of the shareholders through postal ballot, Equity Share of the Company of Face Value of Rs.10 each has been split into 5 Equity Shares of Face Value of Rs.2 each and shares have been traded on the stock exchange w.e.f. January 04, 2005 on the basis of face value of Rs.2 each. Accordingly, the issued and paid up equity share capital now comprises 190,016,005 Equity Shares of Rs.2 each amounting to Rs.380.0 Million. The EPS figures disclosed above have been calculated for Equity Share of Rs.2 each after considering the share split. Correspondingly, the EPS for the previous periods have been restated for the face value of Rs.2 each.

20. Interest amounting to Rs.2.4 Million has been capitalised during the year in compliance with AS-16 – "Borrowing Costs".

Schedule 23 (Contd.)

21. a) The Company's intangible assets, other than Computer Software, comprise of Brands and Trademarks, Technical Knowhow & Business IPR and US FDA/TGA approvals acquired by the Company's over the years. No internally generated intangible assets have been recognized in the books of accounts.

Rs. in Million

Nature of Assets	Brands and Trademarks	Technical Knowhow & Business IPR	US FDA / TGA Approvals
Useful Life	10 Years	10 Years	10 Years
Ammortisation Method	SLM	SLM	SLM
Gross Block as on April 01, 2004	1772.0	—	139.0
Accumulated Amortisation as on April 01, 2004	315.7	—	17.4
WDV as on April 01, 2004	1456.3	—	121.6
Additions during the year	66.8	449.7	55.1
Retirement and Disposals	—	—	—
Amortisation for the year	179.7	10.0	15.3
WDV as on March 31, 2005	1343.4	439.7	161.4
Capital Commitment as on March 31, 2005	—	—	—

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

22. Recoveries deducted from expenses are on account of sharing of common expenses with Joint Ventures / Associate Companies.

23. Dividend Income of Rs.11.7 Million and Rs.112.6 Million for the quarter and year ended March 31, 2005 respectively received by NPIL from its Subsidiaries/ Joint ventures 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 subsidiaries / Joint ventures for the quarter and year ended March 31, 2005 has been considered. Mainly as a result of this, EPS on a consolidated basis is lower by Rs.0.3 for the year ended March 31, 2005.

24. The previous years figures have been re-grouped, wherever necessary.

Signatures to Schedules 1 to 22

Partha Ghosh
Partner
Membership No. F–055913
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 26, 2005

Ajay G Piramal	Chairman	**S Ramadorai**	Director
G P Goenka	Director	**R A Shah**	Director
Rajesh Khanna	Director	**Vijay Shah**	Director – Chief Operating Officer
Y H Malegam	Director		
Dr. Swati A Piramal	Director – Strategic Alliances & Communications	**Deepak Satwalekar**	Director
		N Vaghul	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Harsh Piramal	Director	**Leonard D'Souza**	Company Secretary

Report of Independent Accountants

To the Board of Directors

We have reviewed the accompanying Reconciliation of Significant Differences in Shareholders' Equity and Net Income between Indian Generally Accepted Accounting Principles ("Indian GAAP") and United States Generally Accepted Accounting Principles ("US GAAP") of Nicholas Piramal India Limited as of March 31, 2005, and for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the reconciliation is the representation of the management of Nicholas Piramal India Limited.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the reconciliation taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the reconciliation referred to above after the restatement explained in Note 11 in order for them to be in conformity with generally accepted accounting principles.

For convenience purposes the rupee amounts have been converted into US dollars on the basis disclosed.

Price Waterhouse

Mumbai : May 24, 2005

Reconciliation of Significant Differences in Shareholders' Equity between Indian Generally Accepted Accounting Principles ("Indian GAAP") and United States Generally Accepted Accounting Principles ("US GAAP") – (See Independent Accountants' Review Report)

NICHOLAS PIRAMAL INDIA LIMITED (CONSOLIDATED)

Reconciliation of shareholders' equity

	Notes	Shareholders' Equity at March 31, 2005 Rs. Mio	Shareholders' Equity at March 31, 2005 US $ Mio*
Shareholders' equity as per Indian GAAP		**5,000**	**115**
US GAAP adjustments			
Consolidation	1	(332)	(8)
Fixed assets and intangibles	2	3,915	90
Employee benefits	3	(242)	(6)
Proposed dividend	4	651	15
Deferred taxes	5	(867)	(20)
Equity method of accounting	6	19	—
Available for sale securities	8	75	2
Total US GAAP adjustments		**3,219**	**73**
Shareholders' equity as per US GAAP		**8,219**	**188**

* Exchange rate used for conversion of Rupees into Dollars is Rs. 43.62 per US Dollar
Refer accompanying notes to the above reconciliation statement

Reconciliation of Significant Differences in Net Income between Indian Generally Accepted Accounting Principles ("Indian GAAP") and United States Generally Accepted Accounting Principles ("US GAAP") – (See Independent Accountants' Review Report)

NICHOLAS PIRAMAL INDIA LIMITED (CONSOLIDATED)

Reconciliation of net income

	Notes	Net income for the year ended March 31, 2005 Rs. Mio	Net income for the year ended March 31, 2005 US $ Mio*
Net income as per Indian GAAP		**1,641**	**38**
US GAAP adjustments			
Fixed Assets & Intangibles	2	252	6
Employee benefits	3	(16)	—
Deferred taxes	5	(82)	(2)
Equity method of accounting	6	23	1
Preference dividend	7	(32)	(1)
Employee stock option plan	9	(121)	(3)
Tax on equity dividend	10	(73)	(2)
Total US GAAP adjustments		**(49)**	**(1)**
Net income as per US GAAP		**1,592**	**37**

* Exchange rate used for conversion of Rupees into Dollars is Rs. 43.62 per US Dollar

Refer accompanying notes to the above reconciliation statement

Notes to Reconciliation of Significant Differences in Shareholders' Equity and Net Income between Indian Generally Accepted Accounting Principles ("Indian GAAP") and United States Generally Accepted Accounting Principles ("US GAAP") – (See Independent Accountants' Review Report)

The consolidated financial statements of the Company are prepared in accordance with Indian GAAP, which differ in certain significant respects from US GAAP. Significant differences between Indian GAAP and US GAAP, which affect the consolidated net equity as at March 31, 2005, and the net income for the year then ended have been shown as reconciling amounts in the reconciliation statement. A description of these differences is given below.

The consolidated shareholders' equity as per Indian GAAP is stated net of preference shares.

1 Consolidation

Under US GAAP, a company must first evaluate whether the potential subsidiary is a variable interest entity (VIE) and whether the Company has a variable interest in an entity. A variable interest changes with a change in an entity's net asset value and are the means through which expected losses are absorbed and expected residual returns are received. If the entity is a VIE, the Company must evaluate the potential subsidiary under the FIN 46 model. If the potential subsidiary is not a VIE, the Company should evaluate the consolidation of the potential subsidiary under the provisions of FAS (Financial Accounting Standard) 94. The employees' Trust set up under the stock option scheme of the Company has been consolidated under US GAAP, while the same is excluded from Indian GAAP consolidation. The equity shares of the Company held by the Trust have been accounted as a reduction of the equity in the US GAAP consolidation.

2 Fixed assets and Intangibles

a) Under Indian GAAP, an amalgamation in the nature of a merger is accounted for under the pooling-of-interests method, and an amalgamation in the nature of a purchase is accounted for under the purchase method. Under US GAAP, all acquisitions are to be accounted using purchase method accounting. Accordingly, the Company's acquisitions have been accounted for by the purchase method under US GAAP, as against the "merger accounting" under Indian GAAP.

The reconciling amount includes the fair valuation of fixed assets and intangibles and accounting of goodwill / negative goodwill arising from business combinations and the related depreciation and amortisation effects. Goodwill is amortised only till the year ended March 31, 2002, under US GAAP, subsequent to which date the same is evaluated for impairment in accordance with the revised US GAAP standards.

b) Differences exist in capitalisation of foreign exchange gains or losses, pre-operative expenses and capitalisation of interest between US GAAP and Indian GAAP. Foreign exchange gains or losses relating to acquisition of fixed assets or foreign currency loans for acquiring fixed assets which are capitalised under Indian GAAP are expensed under US GAAP. Certain pre-operative expenses are to be expensed under US GAAP, while these are capitalised in Indian GAAP. Interest is capitalised on the cost basis as determined under US GAAP, which is different from Indian GAAP. Certain leases qualify as capital leases under US GAAP, leading to consequential adjustments. Accordingly, these adjustments form part of the reconciling amount in the Reconciliation statement.

Further, under US GAAP, fixed assets are depreciated on a systematic basis over their estimated useful lives, while under Indian GAAP depreciation is provided on the basis of asset life specified in the Companies Act, if such life is shorter than the useful life of the assets. Accordingly, depreciation adjustments have also been reflected in the reconciling amount in the Reconciliation statement.

3 Employee benefits

Under US GAAP, accrued leave at the end of the year is provided on actual basis. Under Indian GAAP, provision is made primarily on actuarial basis.

Further, for US GAAP, the actuarial valuation of the gratuity benefit is based on specified methods. Amortisation provisions of US GAAP accounting and certain other differences lead to a reconciliation item between Indian GAAP and US GAAP.

4 Proposed dividend

Under Indian GAAP, dividend and corporate dividend tax thereon, are recorded as liabilities on proposal by the Board of Directors. Under US GAAP, these are accounted only on approval by shareholders.

5 Deferred Taxes

Deferred tax effects of the US GAAP adjustments form a reconciling item in the Reconciliation statement. In addition, certain differences exist in the accounting for deferred taxes under Indian GAAP and US GAAP. These differences also form part of the reconciling amount.

6 Equity method of accounting

The amount included in the Reconciliation statement arises due to US GAAP adjustments to the financial statements of the equity investees drawn under Indian GAAP.

7 Preference dividend

Dividend on preference shares and corporate dividend tax thereon, are treated as borrowing costs under US GAAP, while the same are treated as a distribution under Indian GAAP.

8 Available for Sale Securities

Under US GAAP, such securities are carried at fair value whereas under Indian GAAP they are accounted at cost.

9 Employee Stock Option Plan

Stock options granted to certain senior employees are accounted as variable plans under US GAAP and measured based on the intrinsic value of the options at each measurement date. Such options are not accounted under Indian GAAP.

10 Tax on equity dividends

Under US GAAP, corporate dividend tax on equity dividend approved by shareholders is treated as an expense while under Indian GAAP it is treated as a distribution.

11 During the year the company determined that its liability under US GAAP on account of leave accrual was understated by Rs. 133 million in the previous years. This restatement, the consequential deferred tax impact thereon and restatement of deferred tax relating to fixed assets, etc of Rs.155 million are made in the US GAAP equity at March 31, 2004.

N. Santhanam
Chief Financial Officer