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

Best year yet

- Consolidated Pharma portfolio in place
- Net Sales Rs. 12.7 billion, growth 31.6%
- Net Profit Rs.1.9 billion, growth 59.2%
- Consolidated Net Profit touches Rs. 2 billion mark
- Exports cross Rs. 1 billion, grow 136.4%
- Record Dividend of 150%.

The Year at a Glance

2004 OVER 2003

Rs. million

Particulars	FY2004	FY2003	% growth
Net Sales	12690.5	9642.2	31.6
OPBIDTA	2561.0	1,947.5	31.5
OPM %	19.9	19.9	–
EPBIDTA	2605.5	2285.0	14.0
Interest (net)	164.2	205.8	(20.2)
Depreciation	396.1	234.9	68.6
Profit before tax & exceptional items	2045.2	1844.3	10.9
Profit After Tax	1880.1	1181.1	59.2
Debt / equity ratio	1.0	0.8	–
ROCE %	34.9	31.3	–
RONW %	47.6	32.4	–
EVA	1668.1	1200.5	–
EPS (Rs.)	49.0	31.0	58.1
Consolidated EPS (Rs.)	52.1	30.3	71.9
Book value (Rs.)	102.9	95.7	–

Branded formulations: Consistent out performance

- Overall growth 31.0%
- Organic growth 13.0%, industry growth 7.3% (MAT-MAR-04, ORG-MARG)
- Out performance in 8 out of 9 therapeutic areas of the market
- 14 Divisions, largest field force of 3,074 persons in the Indian market
- High franchise - top 30 brands from 50.5% of Net Sales

Exports: Custom manufacturing game plan takes shape

- Exports of Rs. 1.1 billion, reach 8.5% of Net Sales.
- End-to-end custom manufacturing capabilities in place
- First custom manufacturing contract signed with Advanced Medical Optics, Inc.
- Strong contracts pipeline built for FY2005

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A Letter from the Chairman

Dear Shareholders,

I am pleased to report that we have yet again delivered a strong performance in FY2004. Net Sales have grown 31.6% to Rs. 12.7 billion; Operating Profit has grown 31.5% to Rs. 2.6 billion, while Net Profit was Rs. 1.9 billion, growing at a faster rate of 59.2%.

What is more satisfying, however, is the strategic positioning that Nicholas Piramal has achieved through the year. In that sense, FY2004 has truly been an inflection year in the history of our Company.

A marginal players' journey to leadership:

Over the past 16 years, Nicholas Piramal (NPIL) has risen from being a marginal player, to become the second largest pharmaceuticals Company in the domestic market.

When the current management took-over the reins of Nicholas Piramal in 1988, the Company had Net Sales of Rs.165 million, PBIDT of Rs. 22 million and PAT of Rs. 8 million. Nicholas was then ranked 48th in the Indian formulations market.

Since then, NPIL has been on a relentless growth drive, clocking a 16-year compounded annual growth rate (CAGR) of Net Sales 31%, PBIDT 35% and PAT 41%. Net Sales/share have increased during the same period from Rs.113 to Rs. 334, while EPS (after exceptional charges) has increased from Rs. 5.3 to Rs. 49.0.

Being a small player with big aspirations, Nicholas had to think differently - we complemented organic growth with acquisitions. This strategy made sense, considering the fragmented nature of the Indian market and the growing disillusionment that MNCs then had with the Indian IPR regime. Between FY88 to FY04, we acquired nine entities. More importantly, we demonstrated every time the ability to choose the right deal, to quickly integrate and to deliver higher growth from the acquired portfolio.

Today, NPIL is the second largest Pharmaceuticals player in India, and we are ranked fourth (AC Neilson-ORG MARG) in the Indian Formulations segment.

NPIL today covers 90% of the formulations market in India, with leading presence in nine therapeutic areas. It has the largest field force in the country – with 3,074 representatives. It has 14 divisions, of which 7 are organized along therapy-specialty. We also have a strong brands portfolio, with 30.4% of our formulations sales coming from the top-10 brands. We have outperformed market growth over the past two years, and have been delivering organic growth in the region of 13%.

We have emerged as a strong contender for leadership in the Indian market.

Domestic underpinnings:

There has been an intense debate among market participants about the merits of a strong domestic presence. To put this in perspective, India is the fourth largest market in the world in volume terms, but only the thirteenth largest in terms of value. The moot point is, therefore – is it worth the while to invest one's resources in this geography?

And here again, Nicholas thinks differently. We believe it is the extreme nature of the Indian market that makes Indian Companies so competitive. India is one of the lowest priced pharmaceutical markets in the world. And yet, Indian Companies have had a strong record of operations and profit growth. A market that addresses one-sixth of humanity cannot be a bad place to focus for a pharmaceuticals Company.

The 2005 patent regime change will indeed present new challenges. But, for Companies that take the right steps, it will

also present attractive opportunities.

We believe that if a pharmaceutical company can survive in India, it will thrive globally. A continuing dominant presence in the Indian market is not only a healthy business proposition – it is essential to hone the chemistry, innovation and marketing/sales ability of any Indian Pharmaceutical Company that has global aspirations.

Exports – the next growth horizon:
Given their competitive strengths, Indian Pharmaceutical Companies have enormous opportunities to tap in the regulated global markets. But, before each Company charts its course, it needs to address two key issues:

1. What is the risk?

2. How predictable are the earnings?

In keeping with its ethos, NPIL has decided to partner innovator companies in global markets, rather than compete or patent-litigate against them.

Over the past 16 years, we have demonstrated unrelenting commitment to our partnerships with global innovator companies across products, IPR and technology in the domestic market. This has won us their faith and confidence.

Building on this base, Nicholas Piramal has developed an Exports model that centers on delivering the India advantage to global innovator companies.

We will provide an end-to-end outsourcing solution across the pharmaceutical life cycle – from custom chemical synthesis, bulk intermediates, APIs to formulations.

Through FY2004, Nicholas has systematically put the building blocks in place for this initiative. We have USFDA-approved API facilities at Hyderabad and high quality formulations facilities at Pithampur. We have four process development groups at multiple locations in India. We have also set-up a 100% subsidiary in the USA for closer customer reach.

With these resources in place, we have demonstrated an early proof of concept by signing an agreement with Advanced Medical Optics Inc., USA to manufacture select eye-care products for global markets. We have a strong pipeline of additional custom manufacturing contracts, and hope to report further milestone progress in FY2005.

Our business development work in the custom manufacturing space over the past two years indicates that there is an exceptional opportunity to be tapped by becoming the outsourcing partner for global innovator companies.

Indeed, we are confident that our Exports will measure up to our domestic business in salience in the medium term.

The way ahead:
We recently completed a review of our strategic direction ahead, and have named the initiative – Project Agya Chakra.

We will be communicating to you on the plan further. But, at the moment, suffice to say – the next five years will not dilute the momentum of the past 16 years.

And this time, the driver will be Exports - ably supported by a strong, outperforming domestic business. That's the inflection point!

Thank you,

Ajay G. Piramal
Chairman

Review of the Year

Nicholas Piramal India Limited (NPIL) again delivered a year of strong business performance in FY2004. Net Sales grew 31.6% to Rs. 12.7 billion, compared to FY2003 Net Sales of Rs. 9.6 billion. We continued to build on our nascent Exports initiative and consolidated the strong domestic market presence through the year.

Operating Profit Before Interest, Depreciation and Tax (OPBIDTA) was Rs. 2.6 billion, growing 31.5% over FY2003 Rs. 1.9 billion.

Net Interest cost declined by 20.2% to Rs. 164.2 million, compared with Rs. 205.8 million in FY2003. This was in spite of Interest cost increasing by Rs. 81.2 million from the Sarabhai Piramal and Canere mergers during the year. The reduction in Interest cost related to continuing operations was achieved through debt repayment and substitution of high cost debt with lower cost debt.

Total Debt (including Preference Shares) at the end of FY2004 was Rs. 3.9 billion, compared with Rs. 3.0 billion at the end of FY2003. Again, this was despite the addition of Debt (including Preference Shares) of Rs. 1.9 billion from the Sarabhai Piramal and Canere mergers. Debt/Equity ratio (considering preference shares as Debt) was 1.0 for FY2004, compared to 0.8 for FY2003.

The year also witnessed NPIL making significant capital expenditure, which was Rs. 856.8 million. This impact, coupled with Depreciation increase of Rs. 129.9 million from the Sarabhai Piramal and Canere mergers, increased total Depreciation charges by 68.6%, to Rs. 396.1 million, compared with Rs. 234.9 million for FY2003.

Higher Exports income, R&D expenditure and the mergers resulted in total Income Tax (current+deferred) for FY2004 of Rs. (51.8) million, compared with Rs. 63.4 million in FY2003.

During FY2004, NPIL incurred exceptional expenditure items of Rs. 216.9 million- mainly consisting of Voluntary Retirement Expenses ('VRS').

Profit After Tax & Exceptional Items therefore, stood at Rs. 1.9 billion for FY2004, an increase of 59.2% over the previous financial year (FY2003: Rs. 1.2 billion).

The FY2004 Earnings per share after Exceptional Items were Rs. 49.0 per share, a growth of 58.1% over the FY2003 Rs. 31.0 per share.

NPIL consolidated Profit After Tax & Exceptional Items reached the Rs. 2.0 billion mark in FY2004. Consolidated Earnings per share after Exceptional Items were Rs. 52.1 per share in FY2004, as compared to Rs. 30.3 per share in FY2003.

In FY2004, we increased our performance bandwidth and put in place key growth drivers for the future.

Net Sales analysis :

NPIL's domestic branded formulations business, which contributes to 75.8% of total Sales, grew 31.0% over the previous financial year. Exports – growing to 8.5% of Net Sales – were Rs. 1.1 billion.

Rs. million

No.	Net Sales break-up	% total	FY2004	FY2003	% growth
I	**Domestic :**				
	1 Formulations	75.8	9,620.0	7,340.8	31.0
	2 Generics	3.2	403.4	435.6	(7.4)
	3 APIs	0.9	113.4	40.9	177.5
	4 Vitamins & Fine Chemicals	5.1	642.9	706.0	(8.9)
	5 Diagnostics	6.1	776.1	663.5	17.0
	6 Others	0.5	58.1	–	–
	Sub-total	**91.5**	**11,613.9**	**9,186.8**	**26.4**
II	**Exports:**				
	1 Formulations	1.8	225.7	212.7	6.1
	2 Generics	0.5	60.4	32.7	84.7
	3 APIs	4.9	621.5	142.0	337.7
	4 Vitamins & Fine Chemicals	1.0	125.2	68.0	84.1
	5 Others	0.3	43.8	–	–
	Sub-total	**8.5**	**1,076.6**	**455.4**	**136.4**
	Total	**100.0**	**12,690.5**	**9,642.2**	**31.6**

Note : Exports Sales include Deemed Exports.

The FY2004 Net Sales growth is 17.0%, without considering the following businesses that were present in FY2004 for a part of the year:

1. Sarabhai Piramal Pharmaceuticals Private Limited (merged w.e.f. 01 April 2003).
2. Canere Actives & Fine Chemicals Pvt. Ltd. (merged w.e.f. 01 October 2003).
3. F. Hoffman La Roche six biotech products (returned w.e.f. 01 November 2003).

The growth rate was 11.2% without considering the API business, which was present for the period January-March in FY2003.

Domestic Branded Formulations

Market commentary :

After the low growth phase in Jan-Mar 03, the market growth has picked up significantly in the latter half of FY2004. This has been driven by good demand from the smaller towns and rural markets.

Although the year again witnessed a spate of new product launches, it was interesting to note that launches based on new molecules came down considerably. We estimate that only about 30% of the growth came from new molecules during the year.

The growth continued to be driven by the chronic therapy areas like Cardiac, Diabetes and CNS.

Nicholas Piramal performance :

NPIL's domestic branded formulations business again outperformed industry growth during FY2004, registering Net Sales of Rs. 9,620.0 million. The business has now delivered consistently high organic growth for the last eight quarters.

Organic growth :

The total domestic branded formulations growth was 31.0%. Excluding corporate action – i.e., the addition of Sarabhai Piramal brands and the return of six biotech products to F. Hoffman La Roche - the domestic branded formulations business grew at an impressive 13.0% against an industry growth rate of 7.3% (MAT-Mar-04, ORG-MARG).

No.	Domestic Branded Formulations	Value		Growth	
		Sub-total Rs. million	Total Rs. million	Sub-total %	Total %
I	FY2003 Net Sales		7,340.8	–	–
II	Own growth (without biotech adj.)**		777.8		10.6
	1. New products	149.4		2.0	
	2. Value & volume	628.4		8.6	
III	Inorganic growth (SPPL merger)		1,501.4	20.4	20.4
	Total		9,620.0		31.0

Note: **This growth calculation of 10.6% is without factoring-in the return of six biotech products to F. Hoffman La Roche. Net Sales for the six biotech products were FY04: Rs. 241.1 million, FY03: Rs. 370.2 million. The organic growth rate (i.e., the growth rate adjusted for the Sarabhai Piramal products acquisition as well as the biotech products return) is 13.0%.

We are present in thearapeutic areas that form nearly 90% of the Indian market; and within them, we are strategically placed in the higher growing chronic ailment segments.

Merger of Sarabhai Piramal w.e.f. 01 April 2003:

During the year under review, NPIL bought its partner's 50% stake in Sarabhai Piramal Pharmaceuticals Private Limited ('SPPL or Sarabhai Piramal') for Rs. 674 million. Sarabhai Piramal therefore, became a 100% subsidiary, and has subsequently been merged with NPIL during the year.

SPPL was a 50:50 Joint Venture of NPIL with Ambalal Sarabhai Enterprises Limited (ASE). It had FY2003 Sales of Rs. 1.8 billion and Profit after tax of Rs. 176.5 million. Sarabhai Piramal's leading brands include Pentids, Esgipyrin, Tossex, Mazetol, Resteclin and Suganril. The Company had twelve Brands with Sales over Rs. 50 million. Of these, five Brands had Sales over Rs. 100 million.

With this corporate action, NPIL has further consolidated its pharmaceuticals portfolio. Nicholas Piramal is now ranked fourth in the Indian market with a market share of 4.4% (Mar-04, ORG-MARG). Besides, NPIL has also improved its ranks in therapeutic segments such as Pain Management (No.1 from No.7), CNS (No.2 from No.4) and Respiratory (No. 3 from No.4).

The Sarabhai Piramal buy-out has also made NPIL the distinct leader in Indian market reach. It has enhanced the available field force by 780 persons for marketing of products of the two Companies in eight therapeutic areas.

Sales analysis:

Therapy area-wise analysis

An analysis of the therapy area-wise sales after separating the corporate action impact – i.e. the acquisition of Sarabhai Piramal brands and the return of six biotech products to F. Hoffman La Roche – shows that we have yet again grown faster than the market in eight of the nine main therapeutic areas of our presence through FY2004.

Organic growth analysis

(excluding Sarabhai Piramal brands and six F. Hoffman La Roche products)

Rs. million

No.	Therapeutic area	NPIL Financials				*Market
		Sales %	FY2004	FY2003	Growth %	Growth MAT-Mar-04
1	Respiratory	23.1	1,817.0	1,533.2	18.5	9.0
2	Anti-Infective	9.9	782.6	743.0	5.3	5.0
3	CVS	10.2	804.3	755.3	6.5	17.2
4	CNS	10.4	818.9	703.6	16.4	8.9
5	Nutritionals	7.6	601.0	576.5	4.2	2.9
6	Biotek *	3.4	266.9	280.4	(4.8)	–
7	Anti-Diabetic	4.9	389.1	283.0	37.5	11.6
8	Gastro-intestinal	4.6	362.8	335.7	8.1	7.3
9	Dermatalogy	4.4	344.3	274.9	25.2	7.0
10	NSAIDs	3.3	258.8	240.8	7.5	6.1
11	Others	18.2	1,431.5	1,244.4	15.0	–
	Total	**100.0**	**7,877.2**	**6,970.8**	**13.0**	**7.3**

Note : *excluding Sarabhai Piramal brands acquired as well as the six biotech products returned to F. Hoffman La Roche during FY2004.

Total growth analysis

(including Sarabhai Piramal brands and six F. Hoffman La Roche products)

Rs. million

No.	Therapeutic area	NPIL Financials				*Market
		Sales %	FY2004	FY2003	Growth %	Growth MAT-Mar-04
1	Respiratory	21.2	2,039.2	1,533.2	33.0	9.0
2	Anti-Infective	13.2	1,274.5	743.0	71.5	5.0
3	CVS	9.3	895.6	755.3	18.6	17.2
4	CNS	10.2	981.9	703.6	39.6	8.9
5	Nutritionals	7.4	716.2	576.5	24.2	2.9
6	Biotek	5.3	508.0	650.6	(21.9)	–
7	Anti-Diabetic	4.2	400.8	283.0	41.6	11.6
8	Gastro-intestinal	3.9	374.5	335.7	11.6	7.3
9	Dermatalogy	3.6	344.3	274.9	25.2	7.0
10	NSAIDs	6.8	653.0	240.8	171.2	6.1
11	Others	14.9	1,432.0	1,244.2	15.1	–
	Total	**100.0**	**9,620.0**	**7,340.8**	**31.0**	**7.3**

Note: *Market data source: AC Neilson-ORG-MARG, no similar market data available for Biotek segment.

Strong branding, select new product launches, therapeutic area-wise out-performance – we continue to build value from our India market presence.

The Respiratory segment continued to dominate NPIL's portfolio, forming 21.2% of domestic formulations sales in FY2004. This was on the back of strong performance by major brands such as Phensedyl and Tixylix. The like-to-like Respiratory TA Sales grew 18.5% to Rs. 1.8 billion in FY2004.

Sales in the lifestyle therapeutic areas (TAs) – Anti-diabetic, CNS, CVS and Oncology - formed 29.0% of NPIL's domestic branded formulations portfolio against 32.6% in FY2003. The reduction in the relative percentage was mainly due to the lower growth in the CVS segment and the return of six biotech products to F. Hoffman La Roche during the year. If we exclude the six Biotech products and the Sarabhai Piramal portfolio, the lifestyle TA sales were Rs. 2.3 billion (28.9% of formulations sales) in FY2004, compared with Rs. 2.0 billion (29.0% of formulations sales) in FY2003. NPIL remains committed to increase the lifestyle TA weight in its portfolio, and to consistently outperform the market in these segments.

In the anti-infective segment, we continue to focus on selective product launches, brand management and marketing initiatives, rather than on a pricing-centric volume push. Considering these check gates, the sales growth in the anti-infective segment has been satisfactory. For an operations review comparison, if we exclude the Sarabhai Piramal portfolio, the FY2004 anti-infective sales grew 5.3% to Rs. 782.6 million (9.9% of formulations sales), compared with Rs. 743.0 million (10.7% of formulations sales) in FY2003. Anti-infectives Sales including the merged Sarabhai Piramal portfolio were Rs. 1.3 billion in FY2004, a 71.5% growth over FY2003 Sales of Rs. 743.0 million.

Products under the Drug Price Control Order (DPCO) contributed 14.9% of domestic branded formulations sales in FY2004, against 10.9% in FY2003. Of this, 6.0% was contributed by the addition of the Sarabhai Piramal portfolio in FY2004.

Sarabhai Piramal's portfolio has already taken DPCO-mandated price reductions before its merger with NPIL. This portfolio component can, therefore, gain significantly from the larger field force and marketing infrastructure of NPIL. It is important to note that Sarabhai Piramal's brands enjoy healthy recall, which would be a key advantage in the emerging market scenario.

Core Brands analysis

Our top-10 brands – forming 30.4% of the domestic branded formulations portfolio, grew by 14.3%. Similarly, the top-20 brands (excluding Sarabhai Piramal brands) grew in FY2004 at 14.2%. Top-20 brands (including Sarabhai Piramal brands) grew at 9.5%.

This high rate of growth validates our view that strong brands, market penetration/ coverage and value-added CRM activities are the key drivers for the future.

The top-20 brands provide the key backbone to several of our therapeutic areas, and are at the core of NPIL's primary brands strategy. The Sarabhai Piramal merger has provided a strong second line to many of these primary brands.

With this merger, the top-30 brands of our portfolio now form 50.5% of domestic branded formulations sales, compared with 53.6% in FY2003. The 30th top brand had sales of Rs.74.6 Million in FY2004 compared to the 30th top brand having sales of 52.6 Million in FY2003.

Rs. million

No.	Top-10 Brands	Therapeutic area	FY2004	FY2003	Growth %
1	Phensedyl	Cough & cold	1379.6	1174.7	17.4
2	Haemaccel	Plasma volume expander	216.1	235.0	(8.0)
3	Stemetil	Anti-emetic	214.8	180.9	18.7
4	Paraxin	Anti-infective	187.8	147.1	27.6
5	Phenergan	Anti-allergic	171.0	127.9	33.8
6	Gardenal	Anti-epileptic	165.5	163.0	1.5
7	Pentids	Anti-infective	160.8	206.5	(22.1)
8	Tixylix	Cough & cold	154.7	111.4	38.9
9	Supradyn	Multi-vitamin	135.4	108.7	24.6
10	Tenormin	Anti-hypertensive	134.8	100.8	33.7
	Total		2920.5	2556.0	14.3
	Domestic Branded Formulations Sales – total		9620.0	7340.8	31.0
	Top-10 as %age to Total Domestic Formulations		**30.4**	**34.8**	–
*	Top-30 brands total		4854.1	3934.2	–
	Top-30 as %age to Total Domestic Formulations		**50.5**	**53.6**	–

Note: Pentids sales for FY2004 and FY2003 are stated to draw a point-to-point comparison.
*FY2004 Top - 30 brands total includes Sarabhai Piramal, while FY2003 Top - 30 brands total excludes Sarabhai Piramal.

Our in-licensing agreements with Biogen Idec & Chiese are part of our commitment to bring the latest world-class therapies to Indian patients

Brands portfolio expansion:

New Products launch:

We continue to remain selective in new products launch, and are committed to being 'early-to-market' – that is, being among the first-five to launch.

The introductions during the period under review were mainly in the CNS, CVS, Anti-diabetic, NSAIDS and Dermatology segments. We launched 23 new products and combinations over the past twelve months. Moreover, 14 of the new launches are in the high-growth lifestyle segments. New products constitute 6.9% of our domestic branded formulations sales, while top-10 new brands constitute 3.9% of sales. Nervup was ranked by ORG-IMS as the No.1 new product launch in 2003 on the basis of Stockist Sales.

Rs. million

No.	Brand	Molecule	Therapeutic area	Sales
1	Nervup *	Methylcobalamine	Anti Diabetic	81.0
2	Vah **	Valdecoxib	NSAIDs	73.6
3	LMWX	Enoxaparin	CVS	62.1
4	Airitis/Xevor	Levocetrizine	Respiratory	48.8
5	Supractiv	Multivitamin + Minerals	Nutritionals	43.4
6	Gluformin ~	Metformin	Anti Diabetic	40.0
7	S-Zetalo	Escitalopram	CNS	17.4
8	Valance +	Divalproex	CNS	19.5
9	Gatri OZ/Diragyl	Gatifloxacin + Ornidazole	Anti infective	13.5
10	Stromix A	Clopidogrel + Aspirin	CVS	12.9
	Total			412.2

Note : *includes Capsules, OD Capsules & injection, ** includes Tablets, 40mg tablets, MD tablets, ~includes G and XL, +includes Tablets, OD tablets.

In-licensing:

In-licensing and alliances are an important element of our formulations strategy. We have a dedicated management team to source new products and work on alliance opportunities, both domestically and globally.

In FY2004, we entered into an alliance with Biogen Idec, USA for marketing their products in the Indian market. Biogen Idec is the third-largest biotechnology company in the world. NPIL is in the process of launching Biogen Idec's leading multiple schelosis treatment 'Avonex'.

NPIL also commenced marketing of 'Curosurf' – a lung surfactant for premature babies with Respiratory Distress Syndrome ('RDS') from Chiese Farmaceutici, Italy.

Field Force:

Nicholas' Formulations field force of 3,074 personnel is by far the largest in the Indian Pharmaceuticals industry. We believe – given the geographical spread of the Indian Pharmaceuticals market, field force reach is a very important factor in influencing market share gains, and is critical to our success in the future.

We continue our progress towards creating more specialized, therapy-oriented Divisions within the Formulations business. Currently, we have a total of 14 Divisions, out of which 7 focus on chronic care therapies in some form.

The sharper therapy-wise focus has enabled us to attain high coverage in key doctor segments such as CNS, CVS, Diabetology, Gynecology, Dermatology and Oncology.

On the other hand, our multi-specialty Divisions focusing on General Practitioners–for mass consumption brands and primary care products – enable us to leverage on our marketing skills, scale and size.

The third tier is of a skilled Franchisee field force - promoting older brands with high growth potential in non-urban markets.

We have been able to implement the following two major operational initiatives during this year:

1. **De-unionization of Divisions:**
   We successfully revamped two older Divisions during the year, increasing their flexibility and productivity.

2. **CRM implementation:**
   We have commenced implementation of a pioneering CRM system in partnership with Oracle. The total project cost is Rs. 200 million. The first-phase of the project – being implemented in our specialty Divisions - is under implementation. The second and final-phase across all the field force is expected to complete in the next two years.

   NPIL is the first one to implement such a project in the Indian market. The initiative will provide further momentum to achieve distinctive doctor detailing capabilities. It will also aid us to customize our field force for different in-licensing and alliance opportunities.

During the year, Nicholas Piramal initiated implementation of i2-based SCM & Oracle-based CRM solutions for its field activities.

Field force break-up:

No.	SBU	TA Focus	FY2004	FY2003
I.	**Multi-specialty & Institutional**			
1	Multi Specialty	General Medicine, Orthopaedic	613	615
2	Actis	Respiratory, Paediatrics	611	518
3	Institutional	Tender business	*0	4
	sub-total		1,224	1,137
II.	**Dedicated**			
4	Cardex	Cardiovascular	386	301
5	Cadence	Cardiovascular		
6	Extra Care	Diabetology	431	280
7	Cognex	Neuro-Psychiatry		
8	CNS (from SPPL)	Neuro-Psychiatry	85	–
9	Glotek	Dermatology, Gynaecology	148	107
10	Biotek	Nephrology, Oncology	36	51
11	Carex	Anaesthesiology	69	62
12	Ethical (from SPPL)	General Medicine	397	–
13	Specialty (from SPPL)	General Medicine, Pain management	298	–
	sub-total		1,850	801
	Total		3,074	1,938

Note : Cadence was created out of Cardex w.e.f. 01 April, 2004. Cognex was created out of Extra Care w.e.f. 01 April, 2004. CNS was merged with Cognex w.e.f. 01 April, 2004. *Institutional was merged with Carex during FY2004.

NPIL also has three Franchisee Divisions: Zivon (340 members) and Akshay (200 members), which market products to General Practitioners; and Vistaar (120 members), which performs retail order booking for big brands. The combined strength of the three divisions is 660.

Supply Chain Management :

We successfully implemented an i2-based supply chain network for the formulations business, which would provide significant benefits. This is a first in the Indian pharmaceuticals industry. We probably have the largest supply chain in the industry, hence, the focus on driving for economies of scale as well as continuous upgradation. We continue to seek efficiencies in our material sourcing and usage. Material cost came down to 45.6% of Net Operating Income in FY2004 as compared to 48.1% in FY2003.

Our Formulations manufacturing facilities at Pithampur are certified by MCC, South Africa and The Irish Board of Medicines.

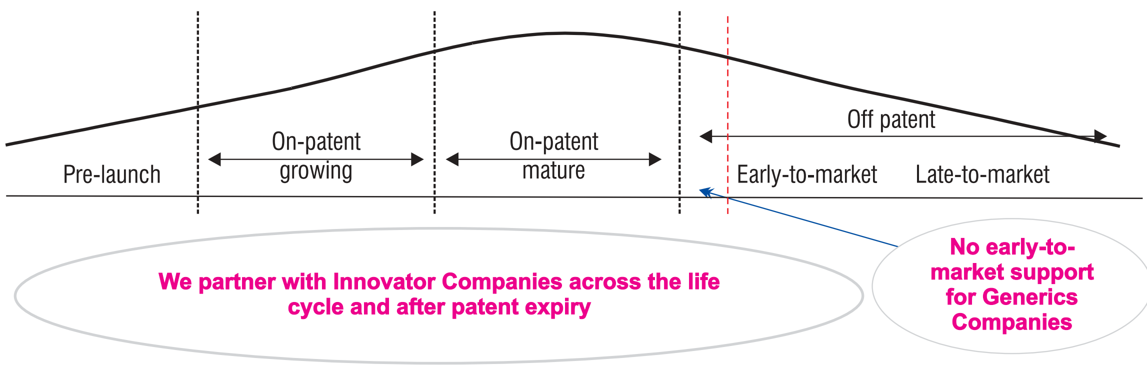
Active Pharmaceutical Ingredient (API) business & Exports

The API business is at the core of Nicholas Piramal's differentiated Exports strategy.

Exports strategy :

The Global Pharmaceuticals market presents exciting growth opportunities to Indian Companies. For Indian companies, there are essentially one-of-two model choices to make:

1. Compete with Innovator Companies through Patent Challenges and Early-to-market Generics in the regulated markets.
2. Partner with Innovator Companies worldwide across segments of the Pharmaceuticals value chain.



Over the past sixteen years, NPIL has established a strong track record of respecting IPR and working closely with Global Innovator Companies. It also has the ability to provide end-to-end solutions– from Custom Chemical Synthesis; APIs and Intermediates upto Formulations.

In keeping with its ethos, NPIL has therefore, decided to partner Innovator Companies across the entire life cycle of a product. We will not provide early-to-market support to Generics Companies. We will however, be present in the late-to-market niche Generics space, as that does not conflict with our chosen model.

In December 2003, NPIL signed its first Custom Manufacturing contract with Advanced Medical Optics, Inc., USA for manufacturing select eye care products for their global markets – including USA, Japan and Europe. The contract is for tenure of five years from the date of commencement of supplies. Shipments are expected to commence in the fourth quarter of FY2005.

Our differentiated Exports Strategy places us in a unique growth position for the next 3-5 years

NPIL is at an advanced stage of discussion on four additional custom manufacturing contracts with innovator Companies.

To expedite these contracts, Nicholas Piramal has acquired Canere Actives & Fine Chemicals Pvt. Ltd. Canere has a state-of-the-art API facility near the existing API facilities of NPIL at Hyderabad. Its Plant can produce 350 tons of high-end APIs per annum. This acquisition is a major capacity enhancer, and should enable NPIL to service the expected deals pipeline for the period till FY2006.

Canere has been merged with NPIL w.e.f. 01 October 2003. The total consideration paid by NPIL is Rs. 1,160 million, consisting of debt assumption of Rs. 780 million and 5-year, 5% redeemable non-convertible preference shares of Rs. 380 million.

During the year, NPIL set up a 100% subsidiary in the USA - NPIL Pharma Inc., for moving the Custom Manufacturing business development team near to prospective customers.

Current operations:

The current Sales of the SBU consist of niche late-to-market generic API sales to European regulated markets, and to some unregulated markets.

For the current period under review, the API business registered Net Sales of Rs. 734.9 million, of which Exports were Rs. 621.5 million. Exports to regulated markets formed about 70% of the API Export Sales.

The current API portfolio consists of Diltiazem, Ketoconazole and Verapamil Hydrochloride. NPIL has filed Drug Master Files (DMFs) for Diltiazem, Verapamil Hydrochloride, Ketaconazole and Itraconazole in FY2004.

NPIL also has export rights to some select formulations such as oral anesthetics and blood plasma expanders. Sales from these products were Rs. 225.7 million in FY2004, as compared with Sales of Rs. 212.7 million in FY2003.

Total Exports were Rs. 1.1 billion, which was a growth of 136.4% over FY2003 Exports of Rs. 455.4 million.

Vitamins and Fine Chemicals

The Vitamins and Fine Chemicals Division (VFCD) continued its efforts to enter the global markets, and to redesign its product portfolio in the price-controlled Indian market. During the review period, Net Sales were Rs.768.1 million, as compared with FY2004 Sales of Rs. 774.0 million, representing a decrease in sales of 0.8%.

Strategy :

Nicholas Piramal plans to widen its portfolio and become a complete Vitamins player. We are one of the few global manufacturers of Vitamin A. Recently; we have also commenced manufacture of Vitamin C under license and Vitamin E.

Our immediate objectives are to:

1. Establish reach in the major Export markets, and
2. Shift our sales-mix from Animal Nutrition and Health ('ANH') – especially Poultry, to the higher value Human Nutrition and Health ('HNH') segments such as Pharma and Food additives in the domestic market.

Current operations:

During FY2004, domestic market Sales were Rs. 642.9 million, compared with Rs. 706.0 million in FY2003. This represented a decrease of 8.9%.

Exports during FY2004 were Rs. 125.2 million, compared with Rs. 68.0 million in FY2003, a growth of 84.1%. We commenced sales to six overseas regions during the year. VFCD has a global marketing team of six members. It has Business Managers for each of the identified export markets.

New products:

New HNH products introduced during FY2004 included Vitamin A CWS, Vitamin A Alcohol, Vitamin C and Vitamin E Toco Pherol and Beta Carotene. VFCD also introduced ten new products in the Perfumery and Fine Chemicals segment.

Our allied businesses of Vitamin A and Diagnostics are building new market segments

Diagnostics business

Brief market commentary:

The Diagnostics business continued to drive growth through greater emphasis on Reagents Sales than Instruments Sales, customer relationship management and high-quality service.

Current operations:

Net Sales during FY2004 were Rs. 776.1 million, compared with Net Sales of Rs. 663.5 million in FY2003. This represented a growth of 17.0%.

Currently, 60% of the Diagnostics portfolio is in the Lifestyle disease segments. The division also has a healthy new products portfolio, contributing about 17% of Sales.

Key segment initiatives during FY2004:

During the review period, the Diagnostics Division laid further emphasis on the preferred partner and key accounts managers programs, which have yielded good results.

In terms of market segments, greater emphasis is being laid on developing the mid-segment.

Research & Development program

In FY2004, Nicholas Piramal decided to place a major emphasis in R&D to become a world-class research driven pharmaceutical Company. A new 200,000 sq. ft. R&D center (project cost Rs. 700 million) is being commissioned at Mumbai to centralize the R&D functions. This facility will provide laboratory space for 400 scientists and will be equipped with the latest instrumentation to carry out new drug discovery, new drug delivery technology, process development and formulation activities.

Our R&D division currently employs 255 people and is engaged in a number of long-term exploratory and basic research programs in chemistry, biology and natural product chemistry dedicated to product development. Current drug discovery and development efforts are related to unmet medical needs in diabetes, cancer, inflammation and fungal diseases.

The majority of the Company's pipeline consists of drugs in the pre-clinical stage with the most advanced candidate being for the treatment of cancer. This candidate is expected to complete the necessary toxicology studies in the second half of FY2005 and enter phase I/II clinical trials by the end of the year.

The Company is also developing small molecular weight inhibitors, preferably orally active, to block the secretion of TNFα, a protein implicated in the destruction of joints of patients suffering from rheumatoid arthritis. Early-stage candidates in diabetes and fungal infection have also been identified.

In FY2004, Nicholas Piramal initiated a program in New Drug Delivery Systems (NDDS). For our internal drug development programs, we will use already approved drugs and complete at least Phase II studies. In addition, we are exploring the possibility of developing a proprietary technology to deliver drugs.

The Company augments its research efforts with an aggressive in-licensing strategy and collaboration with academic institutions in India and abroad. In FY2004, Nicholas Piramal has identified at least two product related in-licensing opportunities. We have also formed an alliance 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.

Nicholas Piramal is also involved in the development of novel herbal formulations for the OTC market as well as to treat chronic diseases. We believe that herbal remedies should be ideal to treat debilitating diseases such as diabetes and rheumatoid arthritis, which are caused by multiple pathways.

Nicholas Piramal ability to minimise risks in its key current businesses enables it to now outlay substantial spend on R&D

Human Resources

We continue to build our team with high-quality talent. Manpower recruitment continues to be skewed towards Marketing, Sales and R&D.

An elaborate Performance Management System has been implemented across the organization in FY2004.

During the period under review, total manpower increased to 5,880 from 4,036 in FY2003, while field strength increased to 3,074 from 2,134. R&D team size increased to 255 from 183.

The Sarabhai Piramal merger added 917 persons to the total manpower of the Company.

No.	Function	FY2004	FY2003	+/(-)
1	Field staff	3,279	2,134	1,145
2	R&D staff	255	183	72
3	Others	2,346	1,719	627
	Total Employees (as on 31st March, 2004)	5,880	4,036	1,844

Joint Ventures & Subsidiaries

Joint Ventures:

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

   BPHL is incorporated as a 51:49 Joint Venture between Boots Plc., UK and Nicholas Piramal India Limited. It is a focused marketing company, which markets the OTC brands of its Principals - Boots Plc. and Nicholas Piramal - in the Indian market.

   These brands are Strepsils, Clearasil, Sweetex, Icy; and Saridon, Polycrol, LactoCalamine, Aspro respectively. BPHL has field strength of 120 persons.

   The Company maintained its growth momentum in FY2004, growing Sales at 12.3% to Rs. 761.7 million (FY2003 Sales: Rs. 678.0 million). PBIDT for FY2004 was Rs. 204.5 million, compared with FY2003 Rs.161.6 million, a growth of 26.5%. Profit after tax for FY2004 was Rs. 116.3 million, compared with FY2003 Rs. 94.9 million, a growth of 22.6%.

2. **Allergan India Private Limited ('AIPL') :**

   AIPL is a 51:49 Joint Venture between Allergan Inc., USA and Nicholas Piramal India Limited. It is a marketing company that markets the ophthalmology brands of its Principals. AIPL is ranked No.1 in the ophthalmology segment in India for the past four years, and currently has a market share of 18%.

   AIPL grew Sales at 12.0% to Rs. 857.4 million (FY2003 Sales: Rs. 765.3 million). PBIDT for FY2004 was Rs. 174.8 million, compared with FY2003 Rs. 165.0 million, a growth of 5.9%. Profit after tax for FY2004 was Rs. 96.7 million, compared with FY2003 Rs. 84.3 million, a growth of 14.7%.

Subsidiaries:

Pathlabs :

Pathological Laboratories have been a highly unorganized segment in India. They therefore, present an interesting opportunity for the future. Nicholas Piramal has established an early, strong presence in this segment by buying into three Pathlabs with a strong franchise. The performance of the Pathlabs is as under :

No.	Pathlabs name	FY2004		
		Income Rs. million	PBIDT Rs. million	PAT Rs. million
1	NPIL Laboratories and Diagnostics Pvt. Ltd.	149.6	37.0	17.9
	FY2003	(127.8)	(33.2)	(15.2)
2	NPIL-Dr. Phadke Pathology Lab. & Infertility Center	88.3	23.1	12.1
	FY2003	(53.6)	(16.4)	(9.2)
3	NPIL-Dr. Golwilkar Pathology Laboratories	34.0	7.1	3.5
	FY2003	(27.6)	(6.8)	(3.4)

Note: FY2003 figures are in brackets.

Boots Piramal and Allergan-India have consolidated their position in the OTC and Opthalmology segments, while Pathlabs have proved to be an encouraging venture investment.

Desubsidiarization of Gujarat Glass Private Limited :

During FY2004, Nicholas Piramal desubsidiarised by transfering its holdings Gujarat Glass in order to build a focused Pharmaceuticals portfolio. The transaction is with effect from 01 July 2003.

The desubsidiarisation process has been implemented as under :

1. A new holding Company called Kojam Fininvest Pvt. Ltd. ('Kojam') was incorporated on 30 June 2003.
2. NPIL has transferred free of cost - effective 01 July 2003 - its entire 53.8% holding in Gujarat Glass (face value: Rs. 93.0 million) to Kojam.
3. The other 46.2% shareholding in Gujarat Glass is held by a group of private equity investors. Gujarat Glass is an unlisted company.
4. Each shareholder of NPIL will get one share of Kojam for every four shares held in NPIL. The record date for the same was 12 January 2004.
5. The balance sheet of Kojam is as under:

Equity capital	Rs. million	Assets	Rs. million
Initial formation - capital	0.5	Gujarat Glass Pvt. Ltd. Shares	93.0
Shares to NPIL shareholders	95.0	Cash & bank balance	5.0
Shares to NPIL Fininvest **	4.5	Goodwill	2.0
Total	**100.0**	**Total**	**100.0**

Note : **fully owned subsidiary of Nicholas Piramal India Limited

6. Kojam is in the process of being listed on National Stock Exchange, Bombay Stock Exchange and Ahmedabad Stock Exchange with a share capital of Rs. 100.0 million.

FINANCIAL HIGHLIGHTS

Income Statement

Rs. in Million

	2003-04	2002-03	Growth
Total Income			
Sales			
– Gross	14346.6	11361.3	26.3%
– Net	12690.5	9642.2	31.6%
Operating Other Income	198.8	168.1	
Non Operating Other Income	44.5	337.5	
Total	**12933.8**	**10147.8**	**27.5%**
PBIDT			
Operating Profit	2561.0	1947.5	31.5%
Operating Profit as a % to Total Operating Income	***19.9%***	***19.9%***	
Non Operating Other Income	44.5	337.5	
Total	**2605.5**	**2285.0**	**14.0%**
PBIDT as a % of Total Income	**22.5%**	**22.5%**	
Interest (net)	**164.2**	**205.8**	**(20.2%)**
Depreciation	**396.1**	**234.9**	**68.6%**
Exceptional Items	**216.9**	**599.8**	
Profit Before Tax	**1828.3**	**1244.5**	**46.9%**
Tax			
– Current	132.2	104.2	
– Deferred	(184.0)	(40.8)	
Total Tax	**(51.8)**	**63.4**	
Profit After Tax	**1880.1**	**1181.1**	**59.2%**
Earnings Per Share (Rs.)	**49.0**	**31.0**	**58.1%**
Earnings Per Share before exceptional items (net of tax) (Rs.)	**54.7**	**41.0**	**33.4%**

Net Sales

Net Sales during the year registered a growth of 31.6% over the previous year. This includes sales of Sarabhai Piramal Pharmaceuticals Private Limited (SPPL) consequent to its merger with our Company w. e. f. 1st April 2003 and Canere Actives and Fine Chemicals Private Limited (Canere) consequent to its merger with our Company w.e.f. 1st October 2003. Detailed analysis of the sales is given earlier in the report.

Operating Other Income

The increase is mainly on account of gain on prepayment of Sales Tax Deferment Loan.

Non Operating Other Income

The decrease in non operating other income is due to lower dividend income and nil profit (net) on sale of fixed assets. During the last year, the dividend income was higher on account of payment of interim dividend by some of the joint ventures, and the profit on sale of fixed assets. Income from lease rent during the year was lower on account of lease period of certain leases in realty coming to a close.

Operating Profit Before Interest, Depreciation and Tax (OPBIDT)

Operating PBIDT increased from Rs.1947.5 Million to Rs.2561.0 Million registering a growth of 31.5%. Operating margins as a percentage of total income remained constant at 19.9%. However, operating margins as a percentage of total income excluding increase in R&D expenditure increased from 19.9% in the previous year to 20.9% in the current year. The improvement in the operating margins was driven by continued impressive performance by our main business- domestic formulations and increase in export sales by 136.4%, which crossed 1 billion during the year. This was coupled with benefits arising out of integration of Global Bulk Drugs and Fine Chemicals Private Limited (GBDFC) acquired last year and continuous cost cutting efforts. During the year, the Company also invested significantly in new products and field force expansion, which will result in increased sales / market share in the coming years. Research and Development expenditure during the year was Rs.301.8 Million as against Rs.168.5 Million during the previous year registering an increase of 79%. R&D Expenditure as a percentage of net sales has increased from 1.7% to 2.4%.

Interest

Interest as a percentage of net sales has come down from 2.1% to 1.3%.

The reduction of Rs.41.6 Million was mainly on account of:

a. Higher Internal Accruals; and

b. Aggressive financial management involving constant churning of debt portfolio in substituting high cost debt by low cost debt.

Depreciation

The increase during the year is mainly on account of full charge of depreciation on the brands and other assets belonging to SPPL (merged w.e.f. 1st April, 2003) and Canere (merged w.e.f. 1st October, 2003) acquired during the year and capital expenditure incurred during the year.

Exceptional Items

Exceptional Items during the year consist of mainly expenditure on VRS and related expenses.

Taxation

Provision for Tax for the current year has been provided for as per tax liability under section 115JB of the Income Tax Act, 1961 (the Act). This is in view of the nil tax liability of the Company after set off of the accumulated losses / unabsorbed depreciation of Rs.1613.0 Million of Canere and Tools Division of The Morarjee Goculdas Spg. & Wvg. Co. Limited (Morarjee) available on their merger and demerger into the company respectively under section 72A of the Act.

Profit After Tax

Profit After Tax increased from Rs.1181.1 Million to Rs.1880.1 Million registering an increase of 59%.

Earning Per Share (EPS)

EPS [before exceptional items (net of tax)] and EPS after exceptional items were Rs.54.7 and Rs.49.0 respectively as compared to Rs.41.0 and Rs.31.0 for the previous year.

Balance Sheet

Particulars	As at March 31, 2004	As at March 31, 2003
		Rs. Million
Liabilities		
Share Capital		
– Equity	380	380
– Preference	534	150
Reserves & Surplus	3530	3258
Loan Funds	3370	2843
Deferred Tax Liability	546	448
Total Liabilities	**8360**	**7079**
Assets		
Net Fixed Assets	5301	3154
Investments	250	534
Net Working Capital	2634	3279
Deferred Tax Assets	175	112
Total Assets	**8360**	**7079**

Share Capital

Share Capital includes Share Capital Suspense Account of Rs.383.7 Million created during the year representing 1.5 Million Preference Shares of Rs.100 each to be allotted to the erstwhile shareholders of Canere pursuant to its merger with the company and 23.4 Million Preference Shares of Rs.10 each to be allotted the shareholders of Morarjee pursuant to the demerger of Tools Division of Morarjee into the Company.

Loan Funds

During the year there was an increase of Rs.1470.0 Million in loan funds on account of liabilities of SPPL, Canere and Tools Division of Morarjee taken over by the company consequent to their merger. If we exclude these, loan funds have decreased from Rs.2843.5 Million last year to Rs.1899.7 Million- a reduction of Rs.943.8 Million.

Fixed Assets

During the year we incurred Rs.856.8 Million as capital expenditure.The major items of capital expenditure were as under :

		Rs. in Million
a.	Ennore Plant Expansion	170.3
b.	Pithampur Plant Expansion	95.4
c.	Research & Development	100.7
d.	Capital Work in Progress	342.8
e.	Others	147.6
	Total	**856.8**

Investment

During the year the Company has cancelled its investment of Rs.225.0 Million in SPPL representing 50% stake in SPPL consequent to its merger with the Company w.e.f. 1st April 2003. The Company has also acquired investments of Rs.32.1 Million in Ambalal Sarabhai Enterprises Limited (recorded at Market Value as on the appointed date of the Scheme) from SPPL pursuant to the merger. Further the Company's investment of Rs.93.0 Million in Gujarat Glass Private Limited has been adjusted against the Share Premium Account on its transfer to a separate entity (Kojam Fininvest Limited) pursuant to a Scheme of Arrangement sanctioned by the Hon'ble High Courts at Gujarat and Bombay.

Net Working Capital

Rs. Million

Particulars	As at March 31,2004	As at March 31,2003
Raw/Packing Materials & WIP	698	584
No. of days (Materials Consumed)	*78*	*81*
Finished Goods	1215	1090
No. of days (Cost of Production)	*68*	*71*
Receivables	1729	1713
No. of days (Gross Sales)	*44*	*55*
Net Working Capital	2633	3279
No. of days (Gross Sales)	*67*	*105*

Net Working Capital showed a significant decrease in terms of number of days due to better inventory management and a concerted collection drive.

Return on Capital Employed (ROCE) Rs. Million

Particulars	As at March 31,2004	As at March 31,2003
Net Fixed Assets*	3839	2770
Net Current Assets*	2496	2823
Capital Employed ** (excluding investments)	6335	5593
PBIT (Excluding Dividend and Profit on sale of assets)	2209	1751
ROCE (%)	34.9	31.3

*Average

Return on Capital Employed increased to 34.9 % from 31.3% last year

Economic Value Added (EVA) Rs. Million

Particulars	2003-04	2002-03
PAT for the Year	1880.1	1181.1
Add: Exceptional Items (net of tax)	139.1	379.4
Add: Interest (net of tax)	105.3	130.2
NOPAT (1)	2124.5	1690.7
Capital Employed ** (2)	6584.1	6127.8
Gearing %	50%	45%
Average Rate of Interest	5.3%	7.0%
Cost of Debt (post tax)	3.4%	4.5%
Cost of Equity		
Long Term Govt. Bonds (Source: DSPML)	5.2%	6.0%
Market Risk	7.0%	8.0%
Cost of Beta Variant (Source: DSPML)	0.76	0.62
Cost of Equity	10.5%	10.9%
WACC (3)	6.9%	8.0%
Cost of Capital (2x3=4)	456.4	490.2
EVA (1–4)	1668.1	1200.5

EVA increased to Rs.1668.1 million from Rs.1200.5 million in 2002–03

** Weightage given to business acquired during the year.

Introduction

Your Company has complied in all material respects with the features of Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges.

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 :

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 stake holders. 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 ten (10) independent directors.

The constitution of the Board is given below :

Name of Director	Executive / Non-Executive / Independent①	No. of other Directorships②	Membership of other Board Committees
Ajay G. Piramal	Chairman, Executive	13	3
G. P. Goenka	Independent	12	—
C. M. Hattangdi④	Non-executive	2	2
Rajesh Khanna	Independent	2③	2
Y. H. Malegam	Independent	11	7
Dr. Swati A. Piramal	Director-Strategic Alliances and Communications, Executive	12	2
Urvi A. Piramal	Non-executive	13	4
S. Ramadorai	Independent	9	5
R. A. Shah	Independent	22③	9
Vijay Shah	Chief Operating Officer, Executive	9	4
Deepak Satwalekar	Independent	7	7
M. R. Shroff⑤	Independent	5	3
N. Vaghul	Independent	9	7
S. Venkitaramanan④	Independent	6	2
Dr. William Jenkins④	Independent	—	—

① *An Independent Director is a director who apart from receiving directors remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries, which in the judgement of the Board may affect their independence of judgement.*

② *This includes directorships held in public limited companies and subsidiaries of public limited companies and excludes directorships held in private limited companies and overseas companies.*

③ *Includes companies in which the Directors are Alternate Directors.*

④ *Mr. C.M.Hattangdi, Mr. S. Venkitaramanan and Dr. William Jenkins who are retiring by rotation at the ensuing Annual General Meeting (AGM) have expressed their desire not to seek re-appointment and as such, hold office as Director upto the date of the ensuing AGM scheduled to be held on 24th June,2004 .*

⑤ *Mr. M.R.Shroff has resigned as Director of the Company w.e.f 23rd April, 2004.*

Note : The Board at its Meeting held on 22nd April, 2004, has decided to appoint Mr. Harsh Piramal as a Director in the casual vacancy of Mr. M.R. Shroff.

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, 2003	24th April,2003	13th June,2003
24th July,2003	19th September,2003	21st October,2003
26th December,2003	28th January,2004	

The Company placed before the Board the budgets, annual operating plans, performance of the business and various other information, including those specified under Annexure I 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 Attended	AGM
Ajay G. Piramal	8	3
G. P. Goenka	2	—
C. M. Hattangdi	8	3
Rajesh Khanna	5	3
Y. H. Malegam	6	—
Dr. Swati A. Piramal	8	3
Urvi A. Piramal	7	3
S.Ramadorai	5	—
R. A. Shah	8	3
Vijay Shah	8	3
Deepak Satwalekar	6	3
M. R. Shroff	7	3
N. Vaghul	7	3
S. Venkitaramanan	6	—
Dr. William Jenkins	4	3

3. Remuneration of Directors

Details of remuneration paid / payable to directors for the year ended March 31, 2004 are as follows : (Figures in 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	1,01,32,800	1,25,00,000	2,26,32,800
G. P. Goenka	None	None	Nil	10,000	Nil	—	10,000
C. M. Hattangdi	None	None	Nil	70,000	Nil	2,00,000	2,70,000
Rajesh Khanna	None	Representative of Strategic Investor	Nil	Nil	Nil	—	—
Y. H. Malegam	None	None	Nil	70,000	Nil	5,50,000	6,20,000
Dr. Swati A. Piramal	Wife of Mr. Ajay G. Piramal	Director-Strategic Alliances and Communications Promoters' family	Nil	Nil	61,91,843	40,00,000	1,01,91,843
Urvi A. Piramal	Sister-in-law of Mr. Ajay G. Piramal	Promoters'family	Nil	65,000	Nil	7,00,000	7,65,000
S. Ramadorai	None	None	Nil	35,000	Nil	2,00,000	2,35,000

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
R. A. Shah	None	Sr. Partner, Crawford Bayley & Co., the Company's Solicitors	Nil	1,05,000	Nil	5,50,000	6,55,000
Vijay Shah	None	Chief Operating Officer	Nil	Nil	77,26,299	45,00,000	1,22,26,299
Deepak Satwalekar	None	None	Nil	40,000	Nil	2,00,000	2,40,000
M. R. Shroff	None	None	Nil	65,000	Nil	3,00,000	3,65,000
N. Vaghul	None	None	Nil	70,000	Nil	7,00,000	7,70,000
S. Venkitaramanan	None	None	Nil	65,000	Nil	3,00,000	3,65,000
Dr. William Jenkins	None	Consultant on Research & Development Projects	Nil	25,000	Nil	—	25,000

* includes sitting fees paid for Committee Meetings

Note : On the recommendations of the Remuneration Committee, 30,000 stock options were vested in Mr. Vijay Shah during the financial year 2003-04. The exercise price was Rs. 275 per share. Each stock option entitles the holder to one (1) equity share of the Company, which will not be issued by the Company but by the ESOP Trust. As such, this will not result in any increase in the paid up share capital of the Company nor will it affect the Earnings Per Share (EPS).

4. *Audit Committee*

During the financial year 2003-04, five Audit Committee Meetings were held, one of which was before finalisation of accounts and the others before adoption of the Quarterly Financial Results by the Board . The dates on which the said meetings were held are as follows :

24th April, 2003; 23rd July, 2003; 4th September, 2003;

20th October, 2003; 27th January, 2004

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 Attended
R. A. Shah	Chairman	Independent Director	Solicitor	5
Y. H. Malegam	Member	Independent Director	Chartered Accountant	5
S. Venkitaramanan*	Member	Independent Director	Financial Consultant	5

* Refer note no. ④ in paragraph 2 of this Report

The terms of reference of the Audit Committee include the following:

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.

5. Investors Grievance Committee

The Board has constituted an 'Investors Grievance Committee', which looks into shareholders and investors grievances. As of date following are the members of the Committee :

Name	Designation	Non-executive / Independent
Urvi A. Piramal	Chairperson	Non-Executive
C. M. Hattangdi *	Member	Non-Executive
M. R. Shroff*	Member	Independent

* Refer note nos. ④ and ⑤ in paragraph 2 of this Report

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

Share Transfers (Physical Form)

- All shares have been transferred and returned within 10 days from the date of receipt of complete documents.
- The Share Transfer Committee considers share transfer approvals once a week.
- Total number of shares (physical form) transferred during the year 2003-2004 was 62,218 compared to 38,246 during 2002-2003.
- As at 31st March 2004, there were no Equity Shares pending for transfer. Demat requests received on 30th March, 2004 and 31st March,2004 were processed on the 1st April,2004, leaving NIL pending demat requests.
- The Company conducts a Secretarial Audit on a quarterly basis in accordance with SEBI requirements. M/s Haribhakti & Co., Chartered Accountants, have been appointed by the Company to conduct such audit. The Secretarial Audit Reports of M/s Haribhakti & Co., which have been submitted to the Stock Exchanges within the stipulated period, inter alia confirms that the equity shares of the Company held in dematerialized form and in physical form tally with the issued and paid-up equity share capital of the Company.

Investor Relations

- The following table shows the nature of complaints received from shareholders during 2002-2003 and 2003- 2004, all of which have been resolved during the year. There is no complaint pending as at 31st March,2004 and 22nd April, 2004.

Nature of Complaints	2003-04	2002-03
Dividend	15	9
Non-receipt of Shares	Nil	13
Others	Nil	14
Total	**15**	**36**

- The complaints are generally replied to within 5 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
54th AGM	5th July, 2001	3.30 p.m.	Yashwantrao Chavan Pratisthan Opposite Mantralaya Mumbai 400 021	1
55th AGM	20th June, 2002	3.30 p.m.	Yashwantrao Chavan Pratisthan, Opposite Mantralaya Mumbai 400 021	3
56th AGM	13th June, 2003	3.00 p.m.	Yashwantrao Chavan Pratisthan, Opposite Mantralaya Mumbai 400 021	—

The special resolutions were passed on show of hands.

Presently, the Company does not have any proposal for postal ballot.

7. Note on Non-executive Directors appointment / re-appointment

Mr. N. Vaghul, Mr. S. Vekitaramanan, Mr. C.M. Hattangdi and Dr. William Jenkins, Directors of the Company, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. However Mr. C. M. Hattangdi, Mr. S. Venkitaramanan and Dr. William Jenkins have expressed their desire not to seek re-appointment. Mr. M. R. Shroff has also resigned as Director of the Company with effect from 23rd April, 2004.

Mr. C. M. Hattangdi, Mr. S. Venkitaramanan and Mr. M. R. Shroff have decided to step down as aforesaid in view of they approaching the age limit proposed by SEBI in the amendments to the Code of Corporate Governance, which has therefore been voluntarily complied with in advance of its mandatory implementation. As regards Dr. William Jenkins, he would continue to be associated with the Company by being on its Scientific Advisory Board.

Brief details concerning Mr. N. Vaghul, who shall be retiring at the ensuing Annual General Meeting and is eligible for re-appointment, are given below:

Mr. N. Vaghul is currently the Chairman of the Board of ICICI Bank Limited. He is also responsible for promotion of India's first credit rating company (CRISIL). Mr. N. Vaghul has been closely associated with policy formulation at the national level. He has chaired several committees and task forces constituted by the Government and Reserve Bank of India in this regard. He is also the Chairman of 'Pratham', a NGO for providing primary education throughout the country. His other directorships in public limited companies are:

Sr. No.	Name of the Company	Designation/Membership of Board Committees
1.	ICICI Bank Limited	Chairman/ Board Governance & Remuneration Committee- Chairman
2	Mahindra & Mahindra Limited	Director/Compensation Committee- Chairman
3	Mahindra Industrial Park Limited	Chairman / Audit Committee - Member/ Compensation Committee - Member
4	Wipro Limited	Director/ Audit Committee - Chairman / Compensation Committee - Chairman
5	Air India Limited	Director/ Audit Committee - Member
6	Apollo Hospitals Enterprise Limited	Director
7	Himatsingka Seide Limited	Chairman
8	Asset Reconstruction Company India Limited	Chairman

8. 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 does not arise.

9. 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 Meet 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 2003.
- Management Discussion & Analysis forms part of this Annual Report.

10. General Shareholder Information

a) Annual General Meeting

– Date and Time	24th June,2004 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, 2004	22nd July, 2004
– Half year ending September 30, 2004	21st October, 2004
– Quarter ending December 31, 2004	21st January, 2005
– Year ending March 31, 2005	26th April, 2005
– Annual General Meeting for the year ending March 31, 2005	In June 2005

c) Date of book closure	15th June, 2004 to 24th June, 2004
d) Dividend Payment Date	25th June, 2004

e) **Registered Office**

100, Centrepoint,
Dr. Ambedkar Road, Parel,
Mumbai 400012.

f) **Listing of Equity Shares on Stock Exchanges**

The Stock Exchange, Mumbai (code : 500302);
National Stock Exchange (code : NICOLASPIR);
Ahmedabad Stock Exchange (code : NICOLLAB);

g) **Reuters code**

NICH.BO

h) **Bloomberg code**

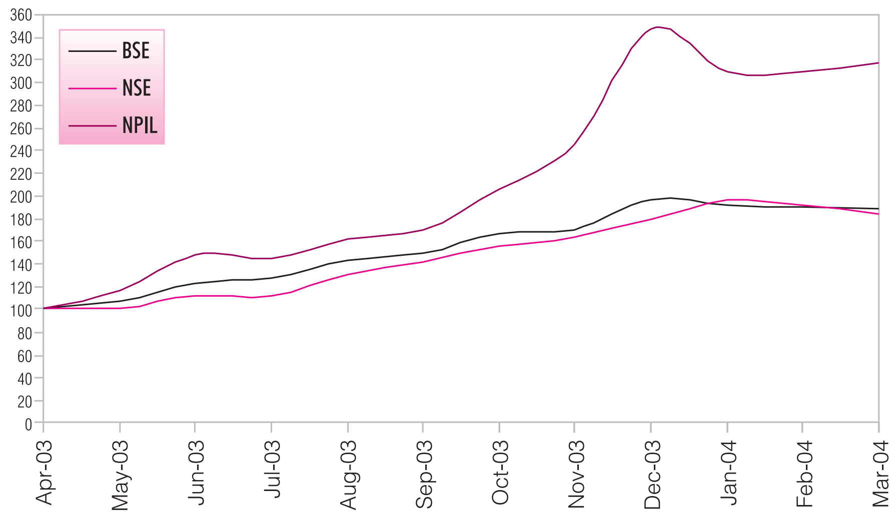
NP:IN

i) **Stock market data**

	The Stock Exchange, Mumbai			National Stock Exchange		
Month	High (Rs.)	Low (Rs.)	Monthly volume	High (Rs.)	Low (Rs.)	Monthly volume
Apr-2003	237.00	206.50	74,118	239.00	205.05	1,53,079
May-2003	293.50	234.00	5,69,978	293.40	233.75	7,58,991
June-2003	362.00	266.25	7,52,770	364.00	266.00	14,51,639
July-2003	385.00	309.10	7,61,245	385.95	282.70	17,65,502
Aug-2003	384.05	381.05	5,84,438	384.40	320.00	14,75,818
Sept-2003	440.00	361.25	9,56,354	442.40	352.00	20,26,044
Oct-2003	509.00	349.00	11,45,437	511.00	368.00	19,48,636
Nov-2003	600.00	488.85	6,33,648	597.50	489.90	10,39,929
Dec-2003	840.00	577.00	6,19,073	840.00	577.15	10,12,128
Jan-2004	839.00	625.50	3,44,927	830.00	651.35	6,62,421
Feb-2004	782.00	700.00	1,85,278	785.00	677.25	2,64,799
Mar-2004	799.00	705.00	1,03,764	799.90	712.00	1,67,176

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 :



k) Registrar and Transfer Agents

Nasik Processing Unit

Amtrac Management Services Limited

Plot No.101/102, MIDC, Satpur, Nasik 422007
Tel.: 0253-2354032
0253-2363372
Fax : 0253-2351126
Dialing Code (from Mumbai 95253 instead of 0253)
E-Mail : amtrac_nsk@sancharnet.in

Mumbai Administrative Office

Amtrac Management Services Limited

Morarjee Mills Compound,
Administrative Building,
Dr. Ambedkar Road, Parel, Mumbai-400 012
Tel : (022) 24105685 / 24130021
E-Mail : vidula@bom3.vsnl.net.in

l) Distribution of Equity Shareholding as on 31st March 2004

Slab of shareholdings	Shareholders	%	Amount in Rs.	%
Upto – 5000	73373	99.71	55527350	14.61
5001 - 10000	53	0.07	3962710	1.04
10001 - 20000	41	0.06	5967190	1.57
20001 - 30000	26	0.04	6764670	1.78
30001 - 40000	14	0.02	5092230	1.34
40001 - 50000	14	0.02	6358350	1.68
50001 - 100000	18	0.02	13191910	3.47
Above 100000	43	0.06	283167600	74.51
Total	**73582**	**100.00**	**380032010**	**100.00**

According to categories of Equity Shareholders as on 31st March, 2004

Category	No. of Shares held	Percentage of Shareholding
A. Promoters Holding		
1 – Indian Promoters	19443541	51.16
– Foreign Promoters	—	—
2 Person acting in concert	—	—
Sub-Total	**19443541**	**51.16**
B. Non Promoters Holding		
3 **Institutional Investors**		
a. Mutual Funds and UTI	1876844	4.94
b Banks, Financial Institutions, Insurance Companies,(Central/ State Govt., Institutions/ Non Govt. Institutions)	1730118	4.55
c Foreign Institutional Investors	2311431	6.08
Sub- Total	**5918393**	**15.57**
4 **Others**		
a Private Corporate Bodies	1089822	2.87
b Indian Public	6351592	16.72
c Non Resident Indians/Overseas Corporate Bodies/ Non Domestic Companies	5199853	13.68
Sub- Total	**12641267**	**33.27**
Grand Total	**38003201**	**100.00**

The existing issued and paid-up Preference Share Capital comprising of 15,00,000 - 6% Non-cumulative Redeemable Preference Shares of Rs.100 each, shall stand increased by the issue and allotment of the following Preference Shares credited as fully paid-up, to be made by the Company, pursuant to the Scheme of Amalgamation of Canere Actives & Fine Chemicals Pvt. Ltd. ('Canere') with the Company ('the Merger Scheme'), and the Scheme of Arrangement between The Morarjee Goculdas Spg. & Wvg. Co. Ltd. ('Morarjee') and Canere ('the Demerger Scheme'), for the demerger of its Tools Division to the Company, whch is the successor to Canere :

(i) 15,00,000 5% Cumulative Redeemable Preference Shares of Rs.100 each to be allotted to the erstwhile shareholders of Canere pursuant to its merger with the Company effective 1st October, 2003;

(ii) 2,33,72,280 5% Cumulative Redeemable Preference Shares of Rs.10 each to be allotted to the equity shareholders of Morarjee pursuant to demerger of Tools Division of Morarjee into the Company as aforesaid, effective 1st December, 2003.

m) Dematerialisation of shares

As on 31st March 2004, 3,23,00,468 shares, (84.99 % of the total number of shares) is in dematerialised form as compared to 3,18,05,594 shares (83.69% of the total number of shares) as on 31st March 2003. The Company's shares are traded compulsorily in dematerialised form.

n) 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.

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 No. 903/904, GIDC Industrial Estate, Ankleshwar, Gujarat

q) Investor Correspondence

Leonard D'Souza
Company Secretary
Nicholas Piramal India Limited
Administrative Building
Morarjee Mills Compound
Dr. Ambedkar Road
Parel, Mumbai 400012.
Tel: 91-22-56636666 • Fax: 91-22- 56636416

B. NON-MANDATORY REQUIREMENTS

1. Remuneration Committee

This Committee was constituted in 1997.

The Remuneration Committee reviews and makes recommendations on annual salaries, performance linked bonus, stock options, perquisites and other employment conditions of 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 Commission is distributed broadly on the basis of Board Meetings and Committee Meetings attended by the Non-executive Directors and their respective contribution to the Company.

The Remuneration Committee met 3 times during the year. As on date, the members of the Committee are :

Name	Designation	Executive/ Non-executive/ Independent	No. of Meetings Attended
N. Vaghul	Chairman	Independent Director	3
Ajay G. Piramal	Member	Executive Director	3
R. A. Shah	Member	Independent Director	3
S. Ramadorai	Member	Independent Director	2

2. Details of public funds obtained in the last three years

The Company has not accepted /renewed any Fixed Deposits in the last 3 years.

CERTIFICATE

To The Members of Nicholas Piramal India Limited

We have examined the compliance of the conditions of Corporate Governance by Nicholas Piramal India Limited (the Company) for the year ended March 31, 2004 as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

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

We state that in respect of investor grievances received during the year ended March 31,2004, no investor grievances are pending against the Company as on April 22,2004 as per the records maintained by the Company and presented to the Investor/Shareholders Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

P. N. Ghatalia
Partner
Membership No. F-9554
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Date : April 22, 2004

NOTICE is hereby given that the 57th 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 **24th** day of **June, 2004** 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, 2004 and the Reports of the Directors and Auditors thereon.

2. To declare dividends (a) on equity and preference shares already issued, and (b) on preference shares to be allotted (Please see note nos.2(b) and (c) in Schedule 22 - Notes to the Financial Statements).

3. To appoint a Director in place of Mr. N. Vaghul, who retires by rotation and is eligible for re-appointment.

4. Mr. S. Venkitaramanan, who retires by rotation has expressed his desire not to seek re-appointment. The resultant vacancy is not proposed to be filled.

5. Mr. C.M.Hattangdi, who retires by rotation has expressed his desire not to seek re-appointment. The resultant vacancy is not proposed to be filled

6. Dr. William Jenkins, who retires by rotation has expressed his desire not to seek re-appointment. The resultant vacancy is not proposed to be filled

7. 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 :

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

   "RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") (including any statutory modifications or re-enactment thereof for the time being in force), approval of the members be and is hereby accorded to the re-appointment of Mr. Vijay Shah as Executive Director (designated as Chief Operating Officer of the Company) for a period of five years with effect from 20th November,2003, not liable to retire by rotation, upon the terms and conditions including payment of remuneration, perquisites and benefits as are set out in the Agreement dated 31st October, 2003 entered into between the Company and Mr. Vijay Shah and main terms of which are set out hereunder, with the liberty and power to the Board of Directors (hereinafter referred to as "the Board", which term shall include its Committee constituted for the purpose) to grant increments and to alter and vary from time to time the amount and type of perquisites to be provided to Mr. Vijay Shah, so as not to exceed the remuneration limits as specified in Schedule XIII of the Act or any amendments thereto;

I. Salary : Rs.4,20,000/- per month, increased to Rs.4,62,000 per month w.e.f. 1st April, 2004, with an authority to the Board to grant such further increases from time to time as they may deem fit, within the limits specified in Schedule XIII of the Act, as may be amended from time to time.

II. Performance Linked Bonus : Subject to the ceiling stipulated in sections 198 and 309 of the Act, such amount as may be determined by the Board at the end of each financial year.

III. In addition to salary and performance linked bonus, Mr. Vijay Shah will continue to be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof, reimbursement of expenses in respect of gas, electricity and water, furnishing and repairs, medical reimbursement and leave travel concession for self and his family, personal accident insurance and such other payments in the nature of perquisites and allowances as currently being provided to him or as per Company policy in force from time to time or as may be decided by the Board of Directors.

IV. Mr. Vijay Shah shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified above :

a) Company's contributions to Provident Fund, Superannuation Fund and / or Annuity Fund as per the Rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.

b) Gratuity as per the Rules of the Company's Gratuity Trust Fund.

c) Leave with full pay as per the Company's Rules. Encashment of leave at the end of tenure is permitted.

V. The Company shall provide a car and telephone at the residence of Mr. Vijay Shah. Personal long distance calls on telephone shall be billed by the Company to Mr. Vijay Shah.

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

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 Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") for the time being in force, and the applicable provisions of the Companies Act, 1956 ("the Act"), and further to the resolution passed by the shareholders of the Company at the Annual General Meeting held on 20th June 2002 approving the grant of Stock Options by the Company to its employees under the Scheme titled "Nicholas Piramal

India Ltd. - Employee Stock Ownership Plan -2002" [hereinafter referred to as the "NPIL ESOP Scheme"], for acquiring shares of the Company which have been purchased by the Trustees of the Nicholas Piramal India Ltd. - Senior Employees Stock Option Scheme [hereinafter referred to as "the ESOP Trust"], consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee constituted by the Board for the purpose), to grant such Stock Options also to employees of the Company's subsidiary companies (both present and future), whether such employees are working in India or out of India, except those employees who may belong to the promoter group, under and in accordance with the terms of the NPIL ESOP Scheme, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the NPIL ESOP Scheme and the applicable provisions of law and the Guidelines as may be prevailing at that time;

RESOLVED FURTHER THAT the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for the purpose of granting such Stock Options to the employees of the Company's subsidiaries as aforesaid and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard".

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

2. The Explanatory Statement pursuant to section 173(2) of the Companies Act,1956 is annexed hereto.

3. The Register of Members of the Company will remain closed from **Tuesday, the 15th June, 2004** to **Thursday, the 24th June, 2004** (both days inclusive).

4. Dividend on equity shares and preference shares already issued as recommended by the Directors for the financial year ended 31st March, 2004 when declared at the Meeting, will be paid on **25th June, 2004.** Dividend as recommended for the preference shares to be allotted (see note nos.2 (b) and (c) in Schedule 22-Notes to the Financial Statements) will be paid within 5 days from the date of allotment or on 25th June 2004, whichever is later.

5. Securities & Exchange Board of India has made trading in the shares of the Company compulsory in dematerialised form for all investors with effect from 17th January, 2000. Shareholders are requested to open an account with Depository Participants, if not done so far.

6. 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 Registrar and Transfer Agent **latest by 14th June 2004**. 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.

7. 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 lose their right to claim such dividend.

Financial Year ended	Due date of transfer
31.03.1997	26.11.2004
	09.05.2004*
31.03.1998	13.08.2005
	16.10.2005*
31.03.1999	26.08.2006
	05.06.2006* (Interim Dividend)
	30.10.2006* (Final Dividend)
31.03.2000	10.06.2007
	22.04.2007* (Interim Dividend)
	21.10.2007* (Final Dividend)
31.03.2001	05.08.2008
	05.08.2008*
31.03.2002	21.07.2009
31.03.2003	14.07.2010

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

8. Pursuant to Section 205C of the Companies Act,1956 the unclaimed dividends for the financial year ended 31st March, 1996 have been transferred to the Investor Education and Protection Fund.

9. 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.

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

11. 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 Registrar and Transfer Agent at their Nasik address.

12. **Re-appointment of Directors**

    Mr. N. Vaghul is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The information/data to be provided in this regard under the Corporate Governance Code of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report. Mr. S. Venkitaramanan, Mr. C. M. Hattangdi and Dr. William Jenkins, Directors of the Company, who are retiring by rotation have expressed their desire not to seek re-appointment. Approval of the shareholders is being sought for the re-appointment of and payment of remuneration to Mr. Vijay Shah, Chief Operating Officer. The information to be provided in this regard under the Corporate Governance Code of the Listing Agreement, is given in the Explanatory Statement annexed to this Notice.

Registered Office :
100, Centrepoint
Dr. Ambedkar Road,
Parel, Mumbai 400 012
Dated : 22nd April, 2004

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. 8

Since the term of 3 years for the appointment of Mr. Vijay Shah as Executive Director was to expire on 20th November,2003, the Board of Directors of the Company at its meeting held on 21st October,2003 have re-appointed Mr. Vijay Shah as Executive Director (designated as Chief Operating Officer of the Company) for a further period of 5 years w.e.f 20th November, 2003, subject to the approval of the members at the General Meeting.

Mr. Vijay Shah is a rank holder of the Institute of Chartered Accountants of India. He has also successfully completed the Management Education Programme from IIM, Ahmedabad and the Advanced Management Programme at the Harvard Business School, Boston, USA. Mr. Shah has been with the Piramal Group since 1988. Under his direction and leadership, the turnover and profitability of the Glass Division of the Company (now Gujarat Glass Pvt. Ltd.) increased manifold.

Mr. Shah was inducted on the Board of the Company in November 1997. He is currently the Chief Operating Officer of the Company and under the leadership of the Chairman, has successfully ensured continuous growth in sales and profitability.

The details of Mr. Shah's directorships in public companies and subsidiary of public companies are given below :

1. Piramal Enterprises Limited
2. Piramal Holdings Limited
3. Gujarat Glass Pvt. Limited
4. Allergan India Private Limited
5. Kojam Fininvest Limited
6. Boots Piramal Healthcare Private Limited
7. NPIL Laboratories and Diagnostics Private Limited
8. Piramal Healthcare Private Limited.
9. NPIL-Dr. Golwilkar Laboratories Private Limited

The terms and conditions, including remuneration payable to Mr. Vijay Shah as contained in the Agreement dated 31st October,2003 entered into by the Company with Mr. Vijay Shah are set out in the resolution at Item No.8 of the accompanying Notice seeking approval of the members to his re-appointment and the payment of remuneration. Both, the Company and Mr. Vijay Shah have a right to terminate the Agreement, on giving 6 months' prior written notice, without the need to assign any reason for such termination. Upon ceasing to be in the employment of the Company, Mr. Vijay Shah shall also cease to be a Director of the Company.

The Board recommends the said resolution for approval of the shareholders.

As required under Section 302 of the Companies Act,1956, the abstract of the terms of remuneration and perquisites payable to Mr. Vijay Shah and the memorandum signifying the concern or interest of the Directors therein, has already been circulated to the members vide letter dated 31st October,2003 alongwith the Report for the six months period ended on 30th September,2003.

The said Agreement dated 31st October,2003 is available for inspection of the members of the Company from Monday to Friday upto 23rd June, 2004 between 11.00 am to 1.00 pm at the Registered Office of the Company.

As it concerns him, Mr. Vijay Shah is deemed to be concerned or interested in this resolution.

Item No. 9

A Stock Option Scheme is a well-accepted incentive designed to attract, retain and motivate the best available talent and critical employees to contribute and share in the growth of the Company's business, to align employee interest with those of the shareholders of the Company and to reward and create wealth in the hands of the employees on long term basis. Accordingly, to encourage selected salaried employees of the Company, the Company had formulated a Stock Option Scheme titled "Nicholas Piramal India Ltd.- Employee Stock Ownership Plan -2002" [hereinafter referred to as the "NPIL ESOP Scheme"], which is implemented through a Trust in the name and style of "Nicholas Piramal India Ltd. - Senior Employees Stock Option Scheme" [hereinafter referred to as "the ESOP Trust"].

At the 55th Annual General Meeting of the Company held on 20th June 2002, shareholders had accorded their consent to the Board of Directors to grant Stock Options to person(s) who are in the permanent employment of the Company, under the NPIL ESOP Scheme, for acquiring shares of the Company which have been purchased by the ESOP Trust.

With a view to encouraging select employees of the Company's subsidiary companies, whose contribution is crucial to the growth of the Company, it is now proposed to grant such Stock Options also to employees of the Company's subsidiary companies. In this regard, the Company desires to amend the NPIL ESOP Scheme for the limited purpose of including permanent employees of its subsidiary companies within the definition of employee under the NPIL ESOP Scheme. All other terms of the NPIL ESOP Scheme would continue to remain the same.

Such Stock Options to be granted to the employees of the Company's subsidiary companies, would be granted under the NPIL ESOP Scheme, under which stock options are also granted to employees of the Company as approved by the shareholders at the 55th Annual General Meeting held on 20th June 2002.

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

In terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock

Purchase Scheme) Guidelines, 1999 ("the Guidelines"), such grant of Stock Options to employees of subsidiary companies requires the approval of the shareholders. Hence the resolution at item no.9 of the accompanying Notice.

The Board recommends the said resolution for approval of the shareholders.

The NPIL ESOP Scheme with the proposed amendment as aforesaid, is available for inspection of the members of the Company from Monday to Friday upto 23rd June, 2004 between 11.00 am to 1.00 pm at the Registered Office of the Company.

Registered Office :
100, Centrepoint
Dr. Ambedkar Road,
Parel, Mumbai 400 012
Dated : 22nd April, 2004

By Order of the Board
Leonard D'Souza
Company Secretary

Dear Shareholders,

Your Board of Directors takes pleasure in presenting the 57th Annual Report and the Audited Accounts for the year ended 31st March 2004.

Performance Highlights:

Rs. million

Year ended 31 March	2004	2003	%Growth
Net Sales	12,690.5	9642.2	31.6
Operating other income	198.8	168.1	18.3
Total operating income	12,889.3	9,810.3	31.3
OPBIDTA	2,561.0	1,947.5	31.5
% margin	19.9	19.9	–
Non–operating other income	44.5	337.5	(86.8)
EBIDTA	2,605.5	2,285.0	14.0
Less:			
Interest (Net)	164.2	205.8	(20.2)
Depreciation	396.1	234.9	68.6
Profit before tax and extraordinary items	2,045.2	1,844.3	10.9
Less : Extraordinary items including restructuring cost	216.9	599.8	(63.8)
Less : Income tax provision	(51.8)	63.4	(181.7)
– Current	132.2	104.2	
– Deferred	(184.0)	(40.8)	–
Profit after tax	1,880.1	1,181.1	59.2
% margin	14.8	12.2	–
Add : Profit brought forward from previous year	1,799.6	1,065.6	–
Profit available for appropriation	3,679.7	2,246.7	–
Appropriation :			
Transfer from debenture redemption reserve	0.0	(215.4)	–
Transfer to debenture redemption reserve	0.0	91.7	–
Proposed dividend on equity shares	570.1	399.0	–
Dividend tax thereon	73.0	51.1	–
Proposed dividend on preference shares	9.0	2.3	–
Proposed dividend on preference shares to be allotted	7.6	–	–
Dividend tax thereon	2.1	0.3	–
Transfer to general reserve	1,700.0	118.1	–
Balance carried to balance sheet	1,317.9	1,799.6	–
Earnings per share before extraordinary items (Rs.)	54.7	41.0	33.4
Earnings per share after extraordinary items (Rs.)	49.0	31.0	58.1

DIVIDEND

Preference Shares:

Your Board has recommend dividend on Preference Shares as under:

a) on existing 15,00,000 – 6% Redeemable Preference Shares of Rs.100 each, @ 6% for the whole year;

b) on the 5% Preference Shares to be allotted pursuant to the respective Schemes (referred to below in the paragraph 'Mergers & Demergers During the Year) as follows :

   (i) 15,00,000 Preference Shares of Rs.100 each to be allotted to the equity shareholders of Canere proportionately from 1st October 2003 being the Appointed Date under the Merger Scheme;

   (ii) 2,33,72,280 Preference Shares of Rs.10 each to be allotted to the equity shareholders of Morarjee proportionately from 1st December 2003 being the Appointed Date under the Demerger Scheme;

   This dividend will be payable within 5 days from the date on which these preference shares will be allotted on completion of the formalities under the relevant provisions of the Companies Act 1956 and the Listing Agreement, or on 25th June, 2004, whichever is later.

Equity Shares:

Your directors are pleased to recommend a dividend of Rs. 15.0 @150% per equity share of Rs. 10/- for the year ended 31st March 2004 (FY2003: Rs. 10.5 @105%).

The total cash outflow on account of equity dividend payments including distribution tax will be Rs. 643.1 million. (FY2003 Rs.450.1 million)

The dividend on equity shares and existing preference shares, will be paid to the eligible shareholders on 25th June 2004, after approval by the shareholders at the forthcoming Annual General Meeting.

MERGERS & DEMERGERS DURING THE YEAR

a) Investment in Gujarat Glass transferred to Kojam:

The Scheme of Arrangement having been sanctioned by the respective Hon'ble Bombay and Gujarat High Courts, the Company's Investment in Gujarat Glass Private Limited ('GGPL') representing 53.76% of its equity share capital stood transferred free of cost to Kojam Fininvest Limited ('Kojam') effective from 1st July, 2003. In terms of the said Scheme, Kojam is to allot its equity shares free of cost to the Company's shareholders in the ratio of 1:4 i.e. one equity share for every 4 held in the Company, Record Date for which was fixed as 12th January, 2004. Kojam expects to shortly receive in-principle approval for listing of its shares on the Stock Exchanges, whereupon, allotment of shares shall be made by Kojam.

b) Acquisition of balance 50% share capital in SPPL and subsequent merger with the Company

During the year, the Company bought out from Ambalal Sarabhai Enterprises Limited, balance 50% equity stake held by it in the joint venture Sarabhai Piramal Pharmaceuticals Private Limited ('SPPL') whereupon, SPPL became a wholly-owned subsidiary of the Company.

Soon thereafter, the Scheme of Amalgamation for merger of SPPL with the Company was approved by the Board which has been sanctioned by the Hon'ble Bombay High Court. Consequently, SPPL stood merged with the Company effective from 1st April, 2003 – the Appointed Date. As a result, the Company's entire investment in SPPL stood cancelled.

c) Merger of Canere with the Company

The Scheme of Amalgamation ('Merger Scheme') for merger of Canere Actives & Fine Chemicals Private Limited ('Canere') with the Company effective from 1st October 2003 has also been sanctioned by the Hon'ble Bombay High Court. This merger being alongwith the rights and obligations of Canere under the Scheme of Arrangement ('Demerger Scheme') between Morarjee Goculdas Spinning & Weaving Company Limited ('Morarjee') and Canere, for demerger of Morarjee's Tools Division into Canere, which Demerger Scheme has also been sanctioned by the Hon'ble Bombay High Court, the said Tools Division of Morarjee stood demerged effective from 1st December 2003, into the Company as successor of Canere.

Pursuant to the Merger Scheme, the Company shall issue and allot, credited as fully paid-up 5% Cumulative Redeemable Preference Shares as follows:

(i) 15,00,000 Preference Shares of Rs.100 each to the equity shareholders of Canere in the ratio of 3:20 i.e. 3 Preference Shares for every 20 equity shares held in Canere to be allotted as of 1st October 2003, being the Appointed Date under the Merger Scheme;

(ii) 2,33,72,280 Preference Shares of Rs.10 each to the equity shareholders of Morarjee in the ratio of 6:5 i.e. 6 Preference Shares for every 5 equity shares held in Morarjee as of 1st December 2003, being the Appointed Date under the Demerger Scheme;

OPERATIONS REVIEW:

NPIL delivered a strong business performance in FY2004.

During the year, Net Sales were Rs. 12,690.5 million (FY2003: Rs. 9,642.2 million), registering a growth of 31.6%. OPBIDTA value and margin were Rs. 2,561.0 million, 19.9% respectively (FY2003: Rs. 1,947.5 million, 19.9%), representing a growth of 31.5%.

Profit after tax and PAT margin were Rs. 1,880.1 million, 14.8% (FY2003: Rs. 1,181.1 million, 12.2%), registering a growth of 59.2%.

In FY2004, Nicholas Piramal further consolidated on its strong position in the domestic market, outperforming the market quarter-on-quarter. The branded formulations business delivered organic growth of 13.0% during the year.

Nicholas Piramal also made further progress in implementing its differentiated Exports model. Strong capabilities are now in place on business development, technical manpower, and manufacturing plants on the Custom Manufacturing end. This was demonstrated by the 5-year contract that Advanced Medical Optics, Inc., USA has awarded your Company for the global supply of select eye care products. Nicholas Piramal ended the year by reaching Export Sales Rs. 1,076.6 million, which was 8.5% of Sales.

The Vitamins business made good progress in the Exports market, but also had to substantially restructure its sales in the domestic market on account of low realizations and modest margins. Overall sales were therefore, lower at Rs. 768.1 million, compared with Rs. 774.0 million in FY2003.

Your Company performed well in the Diagnostics business, growing 17.0% in Net Sales to Rs. 776.1 million.

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

Net Interest cost declined by 20.2% to Rs. 164.2 million, compared with Rs. 205.8 million in FY2003. This was in spite of Interest cost increasing by Rs. 81.2 million from the Sarabhai Piramal and Canere mergers during the year. The reduction in Interest cost from continuing operations was achieved through debt repayment and substitution of high cost debt with lower cost debt.

Total debt (including preference shares: Rs. 533.7 million) was Rs. 3.9 billion for the year, compared with total debt of Rs. 3.0 billion in FY2003.

RESEARCH & DEVELOPMENT :

Nicholas has a balanced R&D program consisting of:

1. New Chemical Entity research (NCE).

2. Novel Drug Delivery Systems research (NDDS).

3. Process Development program – Formulations & API.

4. Clinical Research (CRO).

The four research units have different cross-functional teams that enable effective project management and sharing of skills. R&D revenue expenditure in FY2004 was Rs. 301.9 million, compared with Rs. 168.5 million in FY2003.

NCE research :

Nicholas Piramal is currently working in four therapeutic areas, viz., Oncology, Diabetes, Anti-fungal and Rheumatology. All the lead molecules in these areas are in pre-clinical stage.

NDDS research :

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

Process development group :

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

Clinical Research :

This Group manages our high quality Wellquest CRO. The CRO has expanded capacity from 36 beds to 58 beds, including a six bed ICU.

CAPEX :

A new R&D facility of 200,000 square feet (project cost Rs. 700 million) is being built at Goregaon, Mumbai to house the expanded R&D team.

SUBSIDIARY COMPANIES :

Pathlabs :

NPIL Laboratories and Diagnostics Pvt. Ltd. (NPIL-LD):

Total Income for the year was Rs. 149.4 million (FY2003: Rs. 127.8 million), a growth of 16.9%. PAT was Rs. 17.9 million (FY2003: Rs. 15.2 million), a growth of 17.8%. NPIL owns 100% of the equity capital of NPIL-LD.

NPIL-Dr. Phadke Pathology Laboratory & Infertility Center Private Limited (Dr. Phadke's Lab):

Dr. Phadke's Labs earned total Income in FY2004 of Rs. 88.3 million (FY2003: Rs. 53.6 million), a growth of 64.7%. PAT was Rs. 12.1 million (FY2003: Rs. 9.2 million), a growth of 31.5%. NPIL owns 60% of the equity capital of Dr. Phadke's Labs.

NPIL-Dr. Golwilkar Pathology Laboratories Private Limited (Dr. Golwilkar's Labs):

Dr. Golwilkar's Labs earned total Income in FY2004 of Rs. 34.0 million (FY2003: Rs. 27.6 million), a growth of 23.2%. PAT was Rs. 3.5 million (FY2003: Rs. 3.4 million), a growth of 2.9%. NPIL owns 70% of the equity capital of the Company.

Rs. million

Year ended	NPIL-LD	Dr. Phadke	Dr. Golwilkar
NPIL ownership %	100.0	60.0	70.0
Total Income			
31-Mar-2004	149.4	88.3	34.0
31-Mar-2003	127.8	53.6	27.6
PAT			
31-Mar-2004	17.9	12.1	3.5
31-Mar-2003	15.2	9.2	3.4

NPIL Pharma Inc.

During the year, the Company established a wholly-owned subsidiary in the USA, under the name NPIL Pharma Inc., with a view to further develop the Company's International Business and to facilitate the strategy of the Custom Manufacturing Group. This company was incorporated on February 20, 2004.

Pursuant to the application made by the Company under sub section (8) of section 212 of the Companies Act, 1956, the audited accounts, etc. of the Company's respective subsidiaries are not attached to the Audited Accounts of the Company. However, the Consolidated Financial Statements of the Company which include the results of the said subsidiaries are included in this Annual Report. The statement under section 212(1)(e) of the said Act in respect of the Company's subsidiaries, is also annexed. Copies of the audited accounts of the Company's subsidiaries can be sought by any member on making a written request to the Company in this regard.

Desubsidiarization of Gujarat Glass:

The Company has transferred its entire 53.8% holding in Gujarat Glass Private Limited ('Gujarat Glass') to a new holding Company – Kojam Fininvest Limited ("KFL"), w.e.f. 01 July 2003.

Shareholders of Nicholas Piramal will receive one KFL share for every four shares of NPIL free of cost. The KFL shares are proposed to be listed on the Exchanges where NPIL is listed. Record date for eligibility to get KFL shares was 12 January 2004.

Operations review for the quarter ended 30 June 2003:

In FY2004, Gujarat Glass was a subsidiary of NPIL for the 3-month period upto 30 June 2003. The operational review is therefore, restricted to this period.

Gujarat Glass maintained its leadership in the Indian Flaconnage market for pharmaceuticals, and continued to develop its business in the cosmetics and perfumery segment.

The Company has completed significant Capital Investment of Rs. 769.6 million in the past two years. With this in place, it is now working to refocus its core Sales around Exports to the US market, where realizations are higher.

For first Quarter of FY04, Sales were Rs. 792.4 million (Q1-FY03: Rs. 777.0 million), a growth of 2.0%. The continuing Exports focus resulted in Exports Sales reaching Rs. 148.8 million (Q1-FY03: Rs. 111.7 million), a growth of 33.2%.

OPBIDTA for Q1-FY04 was Rs. 216.2 million, (Q1-FY03: Rs. 226.8 million), a decrease of 4.7%. PAT for Q1-FY04 was Rs. 43.3 million (Q1-FY03: Rs. 39.7 million), a growth of 9.1%.

JOINT VENTURES :

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

BHPL maintained its OTC growth momentum in FY2004, growing Net Sales at 12.3% to Rs. 761.7 million (FY2003 Sales: Rs. 678.0 million). PBIDT for FY2004 was Rs. 204.5 million, compared with FY2003 Rs. 161.6 million, a growth of 26.5%. Profit after tax for FY2004 was Rs. 116.3 million, compared with FY2003 Rs. 94.9 million, a growth of 22.6%.

The Boots & Nicholas Piramal brands marketed by BHPL are Strepsils, Clearasil, Sweetex, Icy; and Saridon, Polycrol, LactoCalamine, Aspro respectively. BPHL has field strength of 120 persons.

2. Allergan India Private Limited ('AIPL'):

AIPL was again ranked No.1 in the ophthalmology segment in India, as in the previous three years, with a market share in FY2004 of 18%.

AIPL grew Net Sales at 12.0% to Rs. 857.4 million (FY2003 Sales: Rs. 765.3 million). PBIDT for FY2004 was Rs.174.8 million, compared with FY2003 Rs. 165.0 million, a growth of 5.9%. Profit after tax for FY2004 was Rs. 96.7 million, compared with FY2003 Rs. 84.3 million, a growth of 14.7%.

INDUSTRY OUTLOOK:

The domestic market continued to experience single digit growth through most months of the year. New products continued to take a large share of market growth, but new molecules did not contribute as in earlier years.

Although higher growth did return to the market in the last quarter, it is increasingly clear that sustained growth will only come from building brands, deep and wide field coverage and superior service to customers.

On the Exports end, the year witnessed Indian Pharmaceutical Companies gain increased attention and acknowledgement. Several European and American majors have visited Indian companies, and they are now contemplating to use India as an outsourcing base for manufacturing and research services.

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 concerning Stock Options vested by the Company under the "Nicholas Piramal India Ltd.- Employee Stock Ownership Plan -2002" ["NPIL ESOP Scheme"] during 2003-04. Such Stock Options have been granted and vested under the NPIL ESOP Scheme in terms of the approval of the shareholders accorded at the 55th Annual General Meeting of the Company held on 20th June 2002:

Sr.No.	Requirements	Disclosures
(i)	Options Granted	2,61,332
(ii)	Pricing Formula	Such price not been higher than, 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 3 (three) months prior to the option.
(iii)	Options Vested	1,34,525
(iv)	Options Exercised	52,625
(v)	Total number of shares arising as a result of exercise of options *	52,625
(vi)	Options Lapsed	Nil
(vii)	Variation of terms of Options	Nil
(viii)	Total number of Options in force	81,900
(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.
	– employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	a) Mr. Vijay Shah – Whole time Director designated as Chief Operating Officer; b) Dr. Somesh Sharma – Chief Scientific Officer, c) Mr. N. 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

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

With a view to encouraging select employees of the Company's subsidiary companies, whose contribution is crucial to the growth of the Company, it is proposed to grant such Stock Options to employees of the Company's subsidiaries. In compliance with the SEBI Guidelines, approval of the shareholders is being sought for such grant of Options vide resolution set out at item no. 9 of the accompanying Notice convening the Annual General Meeting, which your directors recommend for approval.

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.

The Company had staff strength of 5,880 employees (FY2003: 4,036 employees) as at 31 March 2004.

Employees table	FY2004	FY2003
Total Employees	5,880	4,036
Field staff	3,279	2,134
R&D staff	255	183

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 2004 and its profit for the year ended on that date;

c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) that the Directors have prepared the annual accounts on a going concern basis.

DIRECTORS :

Mr. S. Venkitramanan, Mr. C.M. Hattangdi and Dr. William Jenkins, who are retiring by rotation at the ensuing Annual General Meeting, have expressed their desire not to seek re-appointment. Mr. M. R. Shroff has also resigned as Director of the Company with effect from 23rd April, 2004.

Mr. Venkitaramanan, Mr. Hattangdi and Mr. Shroff have decided to step down as aforesaid in view of their approaching the age limit proposed by SEBI in the amendments to the Code of Corporate Governance. The age limit has therefore, been voluntarily complied with in advance of its mandatory implementation. As regards Dr. Jenkins, he would continue to be associated with the Company by being on its Scientific Advisory Board.

Mr. Venkitaramanan, Mr. Hattangdi, Dr. Jenkins and Mr. Shroff have been on the Board since 29th April 1995, 12th December 1988, 24th October 2001 and 8th March 1995 respectively. The Board places on record its appreciation of the valuable contributions made by these Directors during their long tenure on the Board.

Mr. N. Vaghul, who retires by rotation at the ensuing AGM, is eligible for re-appointment, which your Board recommends.

Mr. Vijay Shah has been re-appointed by the Board as Executive Director designated as Chief Operating Officer for a further period of 5 years with effect from 20th November 2003. The terms of his appointment and remuneration are set out in the resolution at item no. 8 of the accompanying Notice convening the Annual General Meeting which your directors recommend for approval.

CORPORATE GOVERNANCE :

Your Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance compliance is included as a part of the Annual Report along with the Auditor's Certificate.

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. 395,000 (FY2003: Rs. 490,000), have remained unpaid as on 31st March, 2004 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

Mumbai : 22nd April, 2004

Chairman

Particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2004

CONSERVATION OF ENERGY

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

Pithampur Plant

1. Installation of autotransformer on lighting distribution to reduce power consumption.
2. Installation of additional capacitors to improve power factor.
3. Installation of Double Skin Air Handling Units (AHUs) to reduce air-conditioning losses.

Mahad Plant

1. Reduction in voltage of lighting.
2. Installation of electronic ballast and separation of switches all over the plant for selective operation of lights, which facilitates savings in electricity consumption.
3. Installation of additional capacitors for all air compressors, pumps and AHU's to achieve maximum power factor.

Mulund - Haemaccel Plant

1. De-rating of chilled water pumps and cooling water pumps leading to savings in electricity consumption.
2. Energy saving device installed on lighting equipments.

Digwal Plant - Hyderabad

1. Installed 300 KVAR Capacitor Bank to increase the power factor and reduce power consumption.
2. Installed Star Delta Converter for cooling tower fans to reduce power consumption.
3. Coal Activiser used to increase fuel efficiency.
4. LPA System introduced in 10° C refrigeration plant, for reducing power consumption

VFCD Plant

1. Intallation of steam condensate recovery system on equipments in which high pressure steam is used. (20% of boiler water is recovered in this manner)
2. Auto cut-off of internal circulation pumps on brine and chilled water refrigeration systems to conserve power.
3. Auto cut off and lamp controllers on street lights, canteen lights, changing room lights and all the plant reactor view glasses to conserve power.
4. Achieved and maintained power factor of 1, thereby avoiding energy losses.
5. Installation of energy efficient equipment and motors wherever replacement of equipment and motors were done, resulting in increased electrical efficiency.
6. Recycling of water from water ring vacuum pumps to cooling towers by suitably relocating the vacuum pumps, thus avoiding water losses.

FORM A

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
A. Power and Fuel Consumption		
1. Gas Electricity		
a. i) Gas		
Unit (000M3)	416.37	356.84
Total Amount (Rs. In Lakhs)	39.07	36.54
Rate / Unit (Rs.)	9.38	10.24
ii) Electricity		
Unit (000)	27,192.23	17,924.22
Total Amount (Rs. In Lakhs)	1,191.29	814.43
Rate / Unit (Rs.)	4.38	4.54
b. Own Generation from :		
i) Diesel Generator		
Unit (000)	865.67	1,378.69
Total Amount (Rs. In Lakhs)	63.78	85.27
Rate / Unit (Rs.)	7.37	6.19
ii) Steam Turbine / Generator		
Unit (000)	–	–
Total Amount (Rs. In Lakhs)	–	–
Rate / Unit (Rs.)	–	–
2. Coal		
Qty. (Tonnes)	7,234.67	950.99
Total Cost (Rs. In Lakhs)	165.33	18.33
Cost/ Unit (Rs.)	2.29	1.93
3. Furnace Oil, LSHS & L. D. Oil		
Qty. (K. Ltrs.)	2,647.39	3,009.07
Total Cost (Rs. In Lakhs)	287.93	355.98
Average/K. Ltrs. (Rs.)	10,875.87	11,830.17
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 has been carried out by the Company

- The Company is engaged in the discovery of new drug candidates in the following areas:
  - Oncology
  - Diabetes
  - Antimycotics
  - Inflammation
- The Company is also building an extensive natural products library to be used in select therapeutic categories.
- Our clinical research organization, Wellquest is offering clinical trial services to several Indian and overseas pharmaceutical companies.
- Our Genomics research group, GenoMed is engaged in cutting edge research in the following diseases :
  - Asthma
  - Schizophrenia
  - Diabetes, and
  - Pharmacogenomics
- The formulation development group undertakes developing conventional as well as sustained release and topical dosage forms. The new products developed included newer antibacterials, cardiovasculars and anti-diabetics.

2. Benefits derived as a result of the above

- Wellquest CRO registered a 44% increase in revenue over FY 03.
- Sponsors received marketing authorizations in UK and Latin America for products for which clinical studies were carried out at the CRO.
- Wellquest underwent positive facility audits by UK-MHRA, Brazil-ANVISA and Israel-MOH.
- The CRO expanded its capacity by increasing the number of beds from 26 to 52 and buying more sophisticated bioanalytical equipment (LC/MS/MS).

3. Future plan of Action

- Filing of patents for identified drug candidates and their further development will be pursued.
- In the natural product research program, it is proposed to initiate new projects to address unmet medical needs.
- In the genomics research, sample collection from large endogamous families will continue for identified disease areas.
- Wellquest CRO will undertake phase I-III trials for new drug candidates, besides bioequivalence studies.
- In formulation development, efforts to continue for reduction of cost. Many new products to be developed exclusively for exports.

4. Expenditure on R&D

		(Rs. in Million)
a.	Capital	256.8
b.	Recurring	301.8
c.	Total	558.6
d.	Total R&D expenditure as a pecentage to sales	3.9%

5. Technology Absorption, Adaptation and Innovation

- Development of indigenous spares for imported Blow Fill Seal Machine at Mulund and also Pithampur.
- Major upgrade being undertaken at Pithampur plant to meet International Regulatory requirements like MHRA & USFDA.
- Upgrade of Haemaccel plant to meet current GMP requirements as per WHO guidelines.
- Installed Spray FBD (Pam-Glatt make) at VFCD Plant for the inhouse manufacturing of 'Cold Water Soluble' products range.
- Inhouse modifications carried out in the Saffire FBD at VFCD Plant to get high temperature required in Cross Linking of products.
- Wiped Film Evaporator system designed and commissioned for VFCD Plant to improve the Vitamin A yields and quality.
- Sonic Soot Blower installed on boiler at VFCD Plant to reduce the tube cleaning and increase boiler efficiency.

6. Foreign Exchange Earnings and Outgo

During the year, foreign exchange earnings were Rs.1008.3 million as against outgo of Rs.1416.6 million.

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 31st March, 2004 and forming part thereof 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.)	39	B. Pharm., Ph.D	President - International Operations	21.10.02	16	3953560	Galpharm International Ltd. M.D. - Asian Operations
Asaikar Umesh	49	B. Tech., M.M.S., A.I.C.W.A.	President - VFCD Operations	11.07.91	25	2827050	Omar Zawawi Estd., Muscat Trading & Mfg. - Manager Project
Athreya Shankar *	35	B. Com., F.C.A.	Sr. Vice President Strategic Investments (M & A)	3.11.03	11	1955266	ENAM Financial Consultants Sr. Vice President
Bansi Lal (Dr.)	58	M.Sc., Ph.D	President - Quest Institute of Life Sciences	01.10.98	38	2873066	Hoechst Marion Roussel Ltd. Vice President - Research
Bhatia Satish C. (Dr.)	59	B.Sc.,M.Sc., Ph.D. (Biochemistry)	President - Clinical Research & Regulatory Affairs	09.09.99	35	3303467	Ranbaxy Laboratories Director
Bobhate Shailendra V.	40	B. Chem. Engg. PGDM	Sr. V.P. - Supply Chain	6.4.01	16	2813297	Heinz India G. M. - Logistics & Distribution
Chawla Harish *	55	B. Sc., B.E.	Chief Information Officer	1.5.03	33	3627742	Piramal Enterprises Ltd. Chief Information Officer
Gad Narayan B.	53	B.Sc., B. Pharm. MBA	President - Marketing & Sales Multi speciality & Extra Care Division	01.01.01	26	3322368	Wockhardt Limited Vice President
Iyer Bhasker	48	B.Sc.,M.M.M.	President - Sales & Marketing Cardex Division	27.3.02	27	4237380	ICI India Ltd. General Manager
Iyer Sainath *	41	B. Pharm., M.M.S.	President - Marketing Actis Division	4.4.02	18	1788903	Zydus Cadila V. P. - Marketing
Kamath V. P. *	43	M.Sc., M.M.S.	Sr. V.P. - Biotek Divn.	16.12.96	19	2795823	Johnson & Johnson Ltd. General Manager Sales & Marketing
Mahadevan Ajit	35	B.Sc., MBA	V. P. - Group Strategic Planning	11.2.02	11	2606486	Accenture Manager
Mukhopadyay T (Dr.)	51	Ph. D.	V. P. - Research	1.10.98	25	2508856	M. S. University, Baroda Lecturer
Oke Vidyadhar G. (Dr.)	52	M.B.B.S., M.D. (Pharmacology)	President - Medical Services	01.01.01	27	4016221	Wockhardt Limited Vice President - Medical
Piramal Ajay G.	48	B.Sc., M.M.S. (Bom.) A.M.P.(Harvard)	Chairman	01.04.97	26	20132800	Morarjee Goculdas Spg.& Wvg. Co.Ltd. Chairman & Managing Director
Piramal Harsh A.	30	B.Sc., MBA	Chief Operating Officer (Allied Business)	20.6.02	6	3017515	Indocean Chase Analyst
Piramal Swati A. (Smt)(Dr)	48	M.B.B.S.,D.I.M. M.P.B.(Harvard)	Director - Strategic Alliances & Communications	01.10.94	23	9191843	Gopikrishna Piramal Memorial Hospital - Medical Director
Saigal J.C.	65	M.Sc., M. Pharm.	Executive Director(International) Bulk Drugs Division	17.10.83	38	4343076	Astra Indl Ltd. Technical Controller

Name	Age	Qualification	Designation	Date of Joining	Experience	Remuneration Rs.	Last Employment & Position Held
Santhanam N	56	B.Com., C.A.	Group President - Finance & Legal and Chief Financial Officer	26.12.01	32	4350613	The Bombay Dyeing & Mfg. Co. Ltd. - Group Sr. V. P. - (Corporate Affairs)
Sengupta S. S.	51	B. Sc. M.B.A.(IIMA)	C.E.O. - S. P. Div.	1.7.98	27	3057080	Alembic Chemicals Works Co. Ltd. Sr. V. P. - Marketing
Shah Vijay	46	B.Com.,F.C.A., AMP(Harvard)	Chief Operating Officer	14.12.87	23	11326299	Management Structure & Systems Pvt.Ltd. Sr. Consultant
Sharma Somesh (Dr)	60	Ph.D.	Chief Scientific Officer	21.10.02	27	11110638	Monoclonal Antibody & Vaccine Business Unit, Anosys Inc. California Sr. Vice President
Singh Praneet *	37	B. Tech., MBA	Director - Formulations	3.4.03	13	4617046	McKinsey & Co. Engagement Manager
Verma Rajiv	50	B. Tech.	Vice President - Operations Bulk Drugs	27.3.02	28	3290388	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, performance linked bonus for executive directors, taxable value of perquisites and other allowances as per Company's rules.
3. None of the employees, except the following, are related to any director of the Company :
   a) Dr. (Mrs.) Swati A. Piramal is the wife of Mr. Ajay G. Piramal.
   b) Mr. Harsh A. Piramal is the son of Mrs. Urvi A. 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, 2004, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto (in which consequent to the amalgamation with the Company, are incorporated in accounts, of the erstwhile Sarabhai Piramal Pharmaceuticals Private Limited effective from April 01, 2003, Canere Actives and Fine Chemicals Private Limited effective from October 01, 2003 and Tools division consequent to its demerger from The Morarjee Goculdas Spg. & Wvg. Co. Limited effective from December 01, 2003 audited by their auditors, relied upon by us and whose reports dated April 23, 2003, April 09, 2004 and December 24, 2003 respectively have been considered by us) 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The financial statements of the erstwhile Sarabhai Piramal Pharmaceuticals Private Limited, for the year ended March 31, 2003, Canere Actives and Fine Chemicals Private Limited for the period ended September 30, 2003 and Tools division of The Morarjee Goculdas Spg. & Wvg. Co. Limited for the period ended November 30, 2003 were audited by their auditors whose reports dated April 23, 2003, April 09, 2004 and December 24, 2003 respectively expressed an unqualified opinion. Balances as on April 01, 2003, October 01, 2003 and December 01, 2003 respectively have been considered as opening balances for the purposes of these accounts.

4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (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' a statement on the matters specified in paragraphs 4 and 5 of the said Order.

5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

e. On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 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, 2004;

   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.

P. N. Ghatalia
Partner
Membership No. F-9554
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Dated : April 22, 2004

ANNEXURE 'A' TO AUDITORS' REPORT

Referred to in paragraph 4 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, 2004.

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially 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 which have been properly dealt with in the books of account were not material.

3. (a) The Company has granted unsecured loans, to four Companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.32076 lakhs and Rs. Nil respectively. The Company has not taken any loans, secured or unsecured, from Companies covered in the register maintained under Section 301 of the Act.

   (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) 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.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased/sold are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures 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. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.

5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.

   (b) In our opinion and according to the information and explanations given to us, having regard to the fact that the items purchased/sold/services rendered/received are of a special nature and suitable alternate sources do not exist for obtaining comparative quotations, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act 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 the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth 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, the particulars of dues of sales-tax, income-tax, wealth tax and excise duty as at March 31, 2004 which have not been deposited on account of a dispute, are referred to in Annexure 'B'.

10. The Company has no accumulated losses as at March 31, 2004 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. However, funds raised on a long term basis of Rs.5303 lakhs have been used for short 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 securities 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 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.

P. N. Ghatalia
Partner
Membership No. F-9554
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Dated : April 22, 2004

ANNEXURE 'B' TO AUDITORS' REPORT

Referred to in paragraph 9 (b) of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Nicholas Piramal India Limited for the year ended March 31, 2004.

Name of the Statute	Nature of Dues	Amount Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act	Non Submission of relevant Statutory Forms	76	1986-03	Deputy Commissioner of Sales Tax (Appeals)
		24	1995-00	Sales Tax Tribunal
Local Sales Taxes	Classification dispute	17	1997-98	Deputy Commissioner of Sales Tax (Appeals)
	Non Receipt of exemption certificate	11	2000-01	Deputy Commissioner of Sales Tax (Appeals)
	Disallowance for Goods Lost in Transit	11	1999-00	Deputy Commissioner of Sales Tax (Appeals)
	Increase in Turnover on account of Inclusion of Sale of Traded goods	24	1990-91	Deputy Commissioner of Sales Tax (Appeals)
	Levy of Purchase Tax on Bulk Drug	1	1985-86	Assistant Commissioner of Sales Tax
	Appeal against arbitrary increase of Turnover	113	1999-02	Joint Commissioner (Appeals) of Commercial Taxes
	Penalty for Enforcement under Section 5AA	14	2003-04	Joint Commissioner (Appeals) of Sales Tax
	Purchase Tax Claim on Purchases from unregistered dealers	9	1996-97	Sales Tax Tribunal
	Disallowance of Credit notes	13	2001-02	Sales Tax Tribunal
	Various Appeals	14	1995-03	Deputy Commissionerof Sales Tax (Appeals)
Income Tax Act, 1961	Disallowance of Grant Received treated as Capital Receipt	1258	1997-98	Income Tax Appellate Tribunal
	Disallowance of Depreciation on assets taken over of amalgamated Company	1018	1996-99	Income Tax Appellate Tribunal
	Disallowance of Interest Liability of a Third Party	450	1991-92 / 1994-95	Income Tax Appellate Tribunal
	Disallowance of diminution in value of Advance License Benefits	505	1996-97	Income Tax Appellate Tribunal
	Disallowance of Claims for export benefits and industrial backward area	80	1991-94	Income Tax Appellate Tribunal

ANNEXURE 'B' (Contd)

Name of the Statute	Nature of Dues	Amount Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Disallowance of Technical Know-how / Trademarks / Interest	219	1998-99	Income Tax Appellate Tribunal
	Departments Appeal against Tax Deducted at Source Assessments	25	1997-98 /1999-00	Income Tax Appellate Tribunal
	Departments Appeal against Tax Deducted at Source Assessments	59	1990-99	High Court
	Disallowance for Modvat on Closing Stocks	85	1991-93 / 1994-97	Income Tax Appellate Tribunal
	Disallowance for Interest / Voluntary Retirement Scheme / Expenses incurred on Thane Factory Closure & Interest on Investment and Tax Free Bonds	1440	1998-99	Income Tax Appellate Tribunal
	Various Appeals	81	1991-99	Income Tax Appellate Tribunal
	Disputed Regular Income Tax Demands	1441	1998-99 / 2003-04	CIT (Appeals)
Wealth Tax Act, 1957	Wealth Tax payable	16	1997-98	Commissioner of Wealth Tax (Appeals)
Central Excise Act	Duty on imported medicines being cleared after affixing stickers	258	2001-02	High Court
	Excisability of LDPE Bottles	51	May-00 to Dec-00	CEGAT
	Availment of MODVAT on common goods for exempted products	89	Sep-96 to Jul-99	CEGAT
	Classification Dispute	132	Sep-98 to Feb-00	CEGAT
	Classification Dispute	227	Upto Mar03	Supreme Court
	Excisability of Crude Vitamin A used for Feed Stock	157	May-95 to Apr-96	Supreme Court
	Various Appeals	3	1990-03	Deputy Commissioner of Central Excise
		51	1990-03	Commissioner of Central Excise
		42	1990-03	CEGAT

Nicholas Piramal India Limited
Balance Sheet as at March 31, 2004

	Schedule No.		As at March 31, 2004 Rs. in Million		As at March 31, 2003 Rs. in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital					
Equity Shares	1	380.0		380.0	
Preference Shares	1	150.0		150.0	
		530.0		530.0	
Share Capital Suspense	1A	383.7		–	
		913.7		530.0	
Reserves & Surplus	2	3529.6		3257.8	
			4443.3		3787.8
Loan Funds					
Secured Loans	3	2341.0		2066.8	
Unsecured Loans	4	1028.7		776.7	
			3369.7		2843.5
Deferred Tax Liability			545.6		448.0
	TOTAL		8358.6		7079.3
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		6172.9		4136.0	
Less : Depreciation		1300.9		1067.9	
Net Block		4872.0		3068.1	
Capital Work In Progress		428.6		85.8	
			5300.6		3153.9
Investments	6		250.0		534.6
Deferred Tax Assets			175.3		112.2
Current Assets, Loans and Advances					
Inventories	7	1955.9		1702.3	
Sundry Debtors	8	1728.5		1713.3	
Cash and Bank Balances	9	154.7		159.9	
Other Current Assets	10	9.3		20.5	
Loans and Advances	11	1452.2		1758.5	
		5300.6		5354.5	
Less : Current Liabilities and Provisions					
Current Liabilities	12	1871.4		1569.6	
Provisions	13	796.5		506.3	
		2667.9		2075.9	
Net Current Assets			2632.7		3278.6
	TOTAL		8358.6		7079.3

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.

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal Chairman
C M Hattangdi Director
Rajesh Khanna Director
Y H Malegam Director
Dr. Swati A Piramal Director - Strategic Alliances & Communications
Urvi A Piramal Director
Deepak Satwalekar Director

R A Shah Director
Vijay Shah Director - Chief Operating Officer
M R Shroff Director
N Vaghul Director
S Venkitaramanan Director
N Santhanam Chief Financial Officer
Leonard D'Souza Company Secretary

Nicholas Piramal India Limited
Profit and Loss Account for the year ended March 31, 2004

	Schedule No.	Year Ended March 31, 2004 Rs. in Million		Year Ended March 31, 2003 Rs. in Million	
INCOME					
Sales and Services		14346.6		11361.3	
Less : Excise Duty		671.3		901.7	
Less : Sales Tax		984.8		817.4	
Net Sales		12690.5		9642.2	
Other Income	14	243.3		530.0	
			12933.8		**10172.2**
EXPENDITURE					
Materials	15	5989.5		4903.4	
Staff Cost	16	1290.4		894.2	
Research and Development Expenses	17	301.8		168.5	
Other Expenses	18	2862.0		2104.5	
(Increase)/Decrease in WIP/Finished Goods	19	(115.4)		(183.4)	
			10328.3		**7887.2**
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			2605.5		2285.0
Less : Interest(net)	20		164.2		205.8
PROFIT BEFORE DEPRECIATION AND TAX			**2441.3**		**2079.2**
Less : Depreciation			396.1		234.9
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			**2045.2**		**1844.3**
Less : Exceptional Items	21		216.9		599.8
PROFIT BEFORE TAX			**1828.3**		**1244.5**
Less : Provision for Taxation - Current [includes prior period tax Rs. 7.6 Million (Previous year Rs. 2.3 Million) and Wealth tax provision Rs. 1.5 Million (Previous year Rs. 1.0 Million)] (Refer note 9, Sch. 22)		132.2		104.2	
Less : Deferred Tax (Refer note 10 , Sch. 22)		(184.0)		(40.8)	
			(51.8)		**63.4**
PROFIT FOR THE YEAR			**1880.1**		**1181.1**
Balance Profit Brought Forward			**1799.6**		**1065.6**
NET PROFIT AVAILABLE FOR APPROPRIATION			**3679.7**		**2246.7**
Transferred from Debenture Redemption Reserve		–		(215.4)	
Debenture Redemption Reserve		–		91.7	
Proposed Dividend on Equity Shares		570.1		399.0	
Distribution Tax Thereon		73.0		51.1	
Proposed Dividend on Preference Shares		9.0		2.3	
Proposed Dividend on Preference Shares to be allotted (Refer note 2 (b) (c) , Sch. 22)		7.6		–	
Distribution Tax Thereon		2.1		0.3	
Transfer to General Reserve		1700.0		118.1	
			2361.8		**447.1**
BALANCE CARRIED TO BALANCE SHEET			**1317.9**		**1799.6**
Earning Per Share (Basic/Diluted) (Rs.)			**49.0**		**31.0**
Earning Per Share Before Exceptional Items (Net of Tax) (Rs.)			**54.7**		**41.0**
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.

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Nicholas Piramal India Limited
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended March 31, 2004 Rs. in Million	Year Ended March 31, 2003 Rs. in Million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1828.3	1244.5
Adjustments for:		
Depreciation	410.9	246.6
Interest Expense	383.2	401.8
Interest Income	(219.0)	(196.0)
Dividend on Investments	(0.5)	(220.9)
(Profit) / Loss on Fixed Assets sold (net)	5.6	(96.0)
(Profit) / Loss on Sale of Investments (net)	–	24.3
Miscellaneous Expenditure written off	–	339.9
Expenses on Implementaion of GGL Scheme of Arrangement	(6.4)	–
Debts / Advances Written off	–	4.6
Provision for Bad & Doubtful Debts	69.1	25.4
Provision for Gratuity & Leave Encashment	43.3	9.9
Unrealised foreign exchange (gain) /loss	(27.5)	(4.6)
Exceptional items	216.9	253.6
Gain on Prepayment of Sales Tax Deferment Loan	(62.7)	–
Operating Profit Before Working Capital Changes	**2641.2**	**2033.1**
Adjustments For Changes In Working Capital :		
- (INCREASE)/DECREASE in Sundry Debtors	208.8	(389.7)
- (INCREASE)/DECREASE in Other Receivables	67.7	(25.5)
- (INCREASE)/DECREASE in Inventories	(108.0)	(106.9)
- INCREASE/(DECREASE) in Trade and Other Payables	25.1	(245.8)
Cash Generated From Operations	**2834.8**	**1265.2**
- Taxes Paid (Net of Refunds)	(17.0)	(53.8)
Net Cash Before Exceptional Items	**2817.8**	**1211.4**
- Exceptional Items	(216.9)	(253.6)
Net Cash From Operating Activities (A)	**2600.9**	**957.8**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(514.0)	(217.7)
Capital Work in Progress	(342.8)	(40.3)
Proceeds from Sale of Fixed Assets	369.0	251.2
Proceeds from Sale of Investments	3.5	395.8
Purchase of Investments	(678.6)	(63.3)
Interest Received	180.0	196.1
Dividend on Investments	0.5	220.9
Net Cash From / (Used) in Investing Activities (B)	**(982.4)**	**742.7**

Nicholas Piramal India Limited
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended March 31, 2004 Rs. in Million	Year Ended March 31, 2003 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.15.4 Million (Previous Year Nil) on reinstatement of Foreign Currency Loan]	923.0	1190.5
Payments	(616.4)	(429.1)
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.6.8 Million (Previous Year Nil) on reinstatement of Foreign Currency Loan]	233.3	100.0
Payments	(1261.8)	(2039.0)
Proceeds from Fixed Deposits (net)	(0.1)	(1.3)
Proceeds from Cash Credits (net)	(136.7)	126.5
Interest Paid	(390.9)	(401.4)
Dividend Paid	(401.3)	(323.0)
Dividend Tax Paid	(51.4)	–
Net Cash Used in Financing Activities (C)	**(1702.3)**	**(1776.8)**
Net Increase/(Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	**(83.8)**	**(76.3)**
Cash and Cash Equivalents As At 31.03.2003	**159.9**	**230.4**
Cash and Cash Equivalents Acquired on Amalgamation (Refer note 3)	78.6	5.8
Cash and Cash Equivalents As At 31.03.2004	**154.7**	**159.9**
Cash and Cash Equivalents Comprise		
Cash and Cheques on hand	4.5	1.4
Balance with Scheduled Banks	150.2	158.5
	154.7	**159.9**

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. 18.1 Million which are not available for use by the Company. (Refer Schedule 9 in the accounts)

3 The above Cash Flow Statement excludes assets (other than Cash and Cash Equivalents) / liabilities acquired on amalgamation / arrangement with Sarabhai Piramal Pharmaceuticals Private Limited, Canere Actives and Fine Chemicals Private Limited and Tools division of The Morarjee Gocudas Spg. and Wvg. Co. Limited.

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

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
1. SHARE CAPITAL		
AUTHORISED		
5,00,00,000 (5,00,00,000) Equity Shares of Rs. 10/- each	500.0	500.0
30,00,000 (15,00,000) Preference Shares of Rs. 100/- each	300.0	150.0
2,40,00,000 (Nil) Preference Shares of Rs. 10/- each	240.0	-
2,10,00,000 (1,00,00,000) Unclassified Shares of Rs. 10/- each	210.0	100.0
	1250.0	750.0
Authorised Capital increased pursuant to shareholder's approval in the Extra Ordinary General Meeting held on March 08, 2004		
ISSUED & SUBSCRIBED		
3,80,03,201(3,80,03,201) Equity Shares of Rs. 10/- 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		
	530.0	**530.0**
1A. SHARE CAPITAL SUSPENSE		
15,00,000 (Nil) 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. (Refer note 2(b), Sch. 22)	150.0	–
2,33,72,280 (Nil) 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. (Refer note 2(c) , Sch. 22)	233.7	–
TOTAL	**383.7**	–

NOTE :

Of the above :

1. 78,17,118 (78,17,118) Equity Shares of Rs.10/- each were allotted as fully paid bonus shares by capitalisation of Share Premium / General Reserve.
2. 16,50,000 (16,50,000) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
3. 17,73,402 (17,73,402) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
4. 10,39,410 (10,39,410) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
5. 75,05,004 (75,05,004) Equity Shares of Rs. 10/- 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 15 Equity Shares of the company for every two warrants held on payment of Rs. 50/- in Cash per Equity Share. Out of this 9,52,644 (9,52,644) warrants were converted into 71,44,831 (71,44,831) 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. 31,50,000 (31, 50,000) Equity Shares of Rs. 10/- each were allotted to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

		As at March 31, 2004 Rs. in Million		As at March 31, 2003 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	–		–	
Add : Transferred as per Scheme of Arrangement	16.2		–	
(Refer note 2(c) , Sch. 22)		16.2		–
SHARE PREMIUM ACCOUNT				
As per last Balance Sheet	258.8		195.0	
Less : Transferred as per Scheme of Arrangement (Refer note 3, Sch. 22)	99.4		–	
Less : Transferred as per Scheme of Amalgamation (Refer note 2(b), Sch 22)	159.4		–	
Add : Write Back of Provision (Refer note 7, Sch. 22)	–		63.8	
		–		258.8
GENERAL RESERVE				
As per last Balance Sheet	1103.7		985.6	
Add : Transferred from Profit and Loss Account	1700.0		118.1	
Less : Transferred as per Scheme of Amalgamation (Refer note 2(a)(b), Sch. 22)	620.6		–	
Less : Impairment loss of Intangible Assets (Refer note 8, Sch. 22)	83.3		–	
		2099.8		1103.7
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	91.7		215.4	
Less : Transferred to Profit and Loss Account	–		215.4	
Add : Transferred from Profit and Loss Account	–		91.7	
		91.7		91.7
PROFIT & LOSS ACCOUNT		1317.9		1799.6
As per Annexed Profit and Loss Account				
TOTAL		**3529.6**		**3257.8**

	Note	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
3. SECURED LOANS			
Cash Credit from Banks (Includes Packing Credit Loans)	1	495.8	632.5
6.9% Non Convertible Secured Debentures Redeemable at par at the end of 2nd year from the date of allotment - 28/10/02	2	100.0	500.0
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	350.0
Term Loan From Bank	3	1108.2	584.3
Term Loan From Bank *		437.0	–
* [ECB loan of Rs. 218.5 Million (US$ 5.0 Million) from Citibank and Rs. 218.5Million (US $ 5.0 Million) from BNP Paribas, to be secured by way of Pari - passu on the fixed assets of the Company.]			
TOTAL		**2341.0**	**2066.8**

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

Notes on Secured Loans

1. Cash Credit facilities including Packing Credit in Foreign Currency (PCFC) are secured by hypothecation of stocks and book debts.
2. 6.90% Non-Convertible Secured Debentures of Rs.100.0 Million and 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 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 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 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. The term loan of Rs.334.3 Million (FCNR (B) US$ 7.0 Million) is secured by way of a mortgage in respect of the company's immoveable properties situated at company's Haemaccel plant at Mulund and Formulations plant at Pithampur.
   c. FCNR (B) Loan of Citibank of Rs.203.9 Million (US$ 4.5 Million) is secured by first and exclusive charge by way of hypothecation of Trade Marks of erstwhile Sarabhai Piramal Pharmaceuticals Private Limited.
   d. FCNR (B) Loan of Citibank of Rs.45.2 Million (US$ 1.0 Million) and FCNR (B) Loan of Corporation Bank of Rs.54.3 Million (US$ 1.2 Million) has been secured by Hypothecation of Stocks and Book Debts of erstwhile Sarabhai Piramal Pharmaceuticals Private Limited.
4. Satisfaction of charges in respect of certain loans is still awaited.

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
4. UNSECURED LOANS		
Sales Tax Deferment (Interest free) [Payable within a year Rs.20.2 Million (Previous year Rs. 15.0 Million)]	297.2	426.2
Fixed Deposits (Refer note 22 , Sch. 22) [Payable within a year Rs.Nil (Previous year Rs. Nil)]	0.4	0.5
Banks	731.1	350.0
TOTAL	**1028.7**	**776.7**

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

5. FIXED ASSETS

(Rs. in Million)

Particulars	COST					DEPRECIATION / AMORTISATION					NET BLOCK	
	Opening As at 01/04/2003	Amalgamation *	Additions	Deductions	As at 31/03/2004 (A)	Opening As at 01/04/2003	Amalgamation	For the Year	Deductions / Transfer	As at 31/03/2004 (B)	As at 31/03/2004 (A-B)	As at 31/03/2003
Land Leasehold	14.9	0.3	–	–	15.2	1.8	–	0.2	–	2.0	13.2	13.1
Land Freehold	197.1	0.4	–	–	197.5	–	–	–	–	–	197.5	197.1
Building @	633.2	138.0	54.6	–	825.8	90.0	–	21.7	–	111.7	714.1	543.2
Plant & Machinery	2134.3	625.3	439.2	199.3	2999.5	729.6	–	171.7	126.7	774.6	2224.9	1404.7
Furniture & Fixtures & Office Equipment	234.1	15.2	15.4	35.5	229.2	96.6	–	24.5	25.9	95.2	134.0	137.5
Motor Vehicle / Transport	82.9	6.6	4.8	22.5	71.8	23.7	–	6.9	9.2	21.4	50.4	59.2
Brand / Know-how / Intellectual Property Rights **	839.5	1093.8	–	99.4	1833.9	126.2	–	185.9	16.1	296.0	1537.9	713.3
Grand Total	**4136.0**	**1879.6**	**514.0**	**356.7**	**6172.9**	**1067.9**	**–**	**410.9**	**177.9**	**1300.9**	**4872.0**	**3068.1**
Previous Year	3894.4	519.8	263.2	541.4	**4136.0**	972.4	–	246.6	151.1	1067.9		
Capital Work in Progress (including Capital Advances) (includes know-how acquired and pending for commercial production)											428.6	85.8
											5300.6	**3153.9**

Refer note 1(ii), Sch. 22
Refer note 1(iv), Sch. 22
Refer note 1(v), Sch. 22
* Refer note 2 (a)(b)(c), Sch. 22

@ Building includes Rs. 0.1 Million (Previous Year Rs. 0.1 Million) being the value of 1 Share in Co- operative Society.
**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, Sch.22.

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

6. INVESTMENTS (Long Term, Non Trade)

	Nos. as at March 31, 2004	Nos. as at March 31, 2003	Face Value Rupees	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
A) Government Securities-(Unquoted)					
7 years National Saving Certificates - Rs. Nil (Rs. 28350.00)				–	–
8 years National Saving Certificates - Rs. Nil (Rs. 2000.00)				–	–
12 years National Saving Certificates - Rs. Nil (Rs.12000.00)				–	–
B) Units (Unquoted)					
Units of Unit Trust of India - Unit 64	–	350000	10.00	–	5.7
Units of Unit Trust of India - 6.75% Tax Free US 64 Bonds	28350	–	10.00	0.3	–
C) Mutual Funds (Quoted)					
Mastershares	21320	21320	10.00	0.3	0.3
D) 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. Gujarat Glass Private Limited	–	9300000	10.00	–	93.0
iv. NPIL Laboratories and Diagnostics Private Limited	2500000	2500000	10.00	60.8	60.8
v. NPIL-Dr. Phadke Pathology Laboratory And Infertility Center Private Limited	180000	180000	10.00	55.8	55.8
vi. NPIL- Dr.Golwilkar Laboratories Private Limited	7000	7000	100.00	30.2	30.2
vii. NPIL Pharma Inc.	100000	–	1 USD	4.5	–
b) Others (Quoted)					
i. Dalmia Cements Limited - Rs. 220.00(Rs. Nil)	80	–	10.00	–	–
ii. Ambalal Sarabhai Enterprises Limited	9592653	–	10.00	32.1	–
c) Others (Unquoted)					
i. Allergan India Private Limited	3920000	3920000	10.00	39.2	39.2
ii. Sarabhai Piramal Pharmaceuticals Private Limited #	–	22500250	10.00	–	225.0
iii. Boots Piramal Healthcare Private Limited	2450000	2450000	10.00	24.5	24.5
iv. Wellquest Research Private Limited	5000	5000	10.00	0.1	0.1
				285.9	**572.7**
Less : Provision for diminution in value of Investment				35.9	38.1
				250.0	**534.6**

22500250 Equity Shares purchased and cancelled during the year on merger

		As at March 31, 2004 Cost Rs. in Million	As at March 31, 2004 Market Value Rs. in Million	As at March 31, 2003 Cost Rs. in Million	As at March 31, 2003 Market Value Rs. in Million
1.	Aggregate value of quoted investments	32.4	**65.1**	0.3	**0.2**
2.	Aggregate value of unquoted investments	217.6		534.3	
	TOTAL	**250.0**		**534.6**	

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

		As at March 31, 2004 Rs. in Million		As at March 31, 2003 Rs. in Million
7. INVENTORIES				
(As certified by the Management)				
Raw & Packing Materials		530.3		474.3
Work-in-progress		167.6		110.1
Finished Goods		1215.4		1090.3
Engineering Stores		42.6		27.6
TOTAL		**1955.9**		**1702.3**
8. SUNDRY DEBTORS				
i. Over six months				
Secured - considered good	4.2		3.9	
Unsecured - considered good	167.6		181.1	
- considered doubtful	176.2		71.8	
	348.0		**256.8**	
Less : Provision for doubtful debts	176.2		71.8	
(Includes Rs. 35.3 Million transferred from SPPL on Amalgamation)		171.8		185.0
ii. Others - Considered good				
Secured	46.3		11.9	
Unsecured	1510.4		1516.4	
		1556.7		1528.3
TOTAL		**1728.5**		**1713.3**
9. CASH AND BANK BALANCES				
i. Cash and Cheques on Hand		4.5		1.4
ii. Balance with Scheduled Banks				
– Current Account		132.1		141.1
– Current Account in respect of Unclaimed Dividend Warrants		17.2		16.7
– Others		0.9		0.7
TOTAL		**154.7**		**159.9**
10. OTHER CURRENT ASSETS				
Interest, Rent & Claims Receivable		9.3		20.5
TOTAL		**9.3**		**20.5**
11. LOANS AND ADVANCES				
Unsecured & Considered Good unless otherwise stated				
Advances recoverable in cash or in kind or for value to be received		488.0		800.0
Advance to NPIL Senior Employees Stock Option Scheme		–		265.5
Loans to Subsidiaries		–		68.5
Advance Tax Less Provision		225.0		272.8
Other Deposits		710.9		324.3
Balance with Customs, Port Trust and Excise Authorities on Current Account		28.3		27.4
TOTAL		**1452.2**		**1758.5**

Nicholas Piramal India Limited
Schedules forming part of the Balance Sheet as at March 31, 2004

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
12. CURRENT LIABILITIES		
Sundry Creditors for Capital goods, Materials & Expenses		
Small Scale Industrial Undertakings (Refer note 17 , Sch. 22)	43.1	27.0
Others	1511.6	1297.9
Advances from Customers	36.7	27.8
Investor Education and Protection Fund Shall be Credited by		
– Unpaid Dividend (Refer note 22 , Sch. 22)	17.2	16.7
Interest Accrued But Not Due	17.5	11.5
Other Liabilities	245.3	188.7
TOTAL	**1871.4**	**1569.6**
13. PROVISIONS		
Proposed Dividend on Equity Shares	570.1	399.0
Proposed Dividend on Preference Shares	16.6	2.3
Provision for Wealth Tax less Payment	3.8	1.2
Tax Payable on Proposed Dividend	75.1	51.4
Provision for Employees Retirement Benefits (Includes Contingencies)	130.9	52.4
TOTAL	**796.5**	**506.3**

Nicholas Piramal India Limited
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

	Year Ended March 31, 2004 Rs. in Million	Year Ended March 31, 2003 Rs. in Million
14. OTHER INCOME		
Dividend on Investments	0.5	220.9
Profit on Sale of Assets (net)	–	78.0
Processing Charges Received	27.0	29.3
Services & Commission	27.0	86.4
Rent Received[Tax Deducted at Source Rs. 7.35 Million (Previous year Rs. 11.8 Million)]	40.4	62.2
Gain on Prepayment of Sales Tax Deferment Loan	62.7	–
Miscellaneous Income	85.7	53.2
TOTAL	**243.3**	**530.0**
15. MATERIALS		
Raw and Packing Materials	3307.8	2652.3
Purchase of Trading Goods	2681.7	2251.1
TOTAL	**5989.5**	**4903.4**
16. STAFF COST (Net of Recoveries)		
(Refer note 24, Sch. 22)		
Salaries, Wages, Bonus and Gratuity	1088.2	739.0
Contribution to Provident and Other Funds	113.8	89.3
Staff Welfare	88.4	65.9
TOTAL	**1290.4**	**894.2**
17. RESEARCH AND DEVELOPMENT EXPENSES		
R & D Expenses	287.0	156.8
Depreciation	14.8	11.7
TOTAL	**301.8**	**168.5**

Nicholas Piramal India Limited
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

		Year Ended March 31, 2004 Rs. in Million		Year Ended March 31, 2003 Rs. in Million
18. OTHER EXPENSES (Net of Recoveries)				
(Refer note 24, Sch. 22)				
Processing Charges		156.0		97.1
Stores and Spares Consumed		64.5		47.0
Power, Fuel & Water Charges		212.5		155.8
Repairs and Maintenance				
Buildings	31.3		27.0	
Plant and Machinery	56.4		39.4	
Others	5.4		4.2	
		93.1		70.6
Rent				
Premises	63.6		43.6	
Other Assets	53.4		5.3	
		117.0		48.9
Rates & Taxes (includes Excise Duty)		135.9		77.5
Insurance		26.2		19.6
Travelling Expenses		409.0		323.2
Directors' Commission		24.7		19.6
Directors' Fees		0.6		0.4
Provision for Doubtful Debts		69.1		25.4
Bad Debts Written Off		–		4.6
Loss on Sale of Assets (net)		5.6		-
Advertisement and Business Promotion Expenses		442.4		324.2
Freight		184.5		147.4
Clearing and Forwarding Expenses		230.5		225.6
Claims		177.0		146.4
Miscellaneous Expenses (Refer note 16, Sch. 22)		513.4		371.2
TOTAL		**2862.0**		**2104.5**
19. (INCREASE) / DECREASE IN WORK - IN - PROGRESS AND FINISHED GOODS				
OPENING STOCKS :				
Work-in-Progress	110.1		58.3	
Work-in-Progress - On Amalgamation	24.0		46.5	
Finished Goods	1090.3		887.2	
Finished Goods - On Amalgamation	43.2		25.0	
		1267.6		1017.0
CLOSING STOCKS :				
Work-in-Progress	167.6		110.1	
Finished Goods	1215.4		1090.3	
		1383.0		1200.4
(Increase)/Decrease in WIP/ Finished Goods		**(115.4)**		**(183.4)**

Nicholas Piramal India Limited
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

		Year Ended March 31, 2004 Rs. in Million		Year Ended March 31, 2003 Rs. in Million
20. INTEREST				
Interest on Fixed Loans & Debentures	272.2		343.2	
Interest on Others	111.0		58.6	
		383.2		401.8
Less : Interest Received :				
(i) On Term Deposits with Limited Companies & Others [Tax Deducted at Source Rs. 37.4 Million (Previous year Rs. 37.9 Million)]	182.7		168.8	
(ii) On Receivables and Others	36.3		27.2	
		219.0		196.0
TOTAL		**164.2**		**205.8**
21. EXCEPTIONAL ITEMS				
Miscellaneous Expenditure as at 31/03/02 Written off				
Voluntary Retirement Scheme	–		260.2	
Prepayment Premium	–		79.7	
		–		339.9
Voluntary Retirement Scheme		129.0		72.6
Related Expenses to Voluntary Retirement Scheme		41.2		57.0
Consultancy Charges		–		25.4
Loss on Sale of Investment (net)		–		24.3
Prior Period Expenses		–		20.5
Others (Includes contingencies)		46.7		60.1
TOTAL		**216.9**		**599.8**

Nicholas Piramal India Limited

Schedules forming part of the Financial Statements for the year ended March 31, 2004

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**

Capital expenditure on Research and Development is treated in the same manner as Fixed Assets. The revenue expenditure on Research and Development is charged off in the year in which it is incurred.

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.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

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.

2. (a) During the year, the Company acquired the balance 50% stake in Sarabhai Piramal Pharmaceuticals Private Limited (SPPL), a 50:50 Joint Venture between the Company and Ambalal Sarabhai Enterprise, for a consideration of Rs.674.0 Million. Consequently, SPPL became a wholly owned subsidiary of the Company. Further, in terms of the Scheme of Amalgamation between the Company and SPPL which was sanctioned by the Hon'ble High Court at Bombay on 8th April, 2004, all the assets, liabilities and reserves of SPPL were transferred and vested in the Company w.e.f. the appointed date - 1st April, 2003. Consequent to the above, the Company's investment in SPPL amounting to Rs.899.0 Million stands cancelled. The shortfall of the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the value of investments cancelled as stated above has been debited against the General Reserve as per the Scheme of Amalgamation.

In terms of the Accounting Standard 14 on Accounting of Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method' wherein all assets, liabilities and reserves except for Quoted Investments which have been recorded at the market value prevailing on the appointed date and Miscellaneous Expenditure recorded at zero value, of SPPL were recorded at their carrying amounts on the date of Amalgamation.

(b) In terms of the Scheme of Amalgamation between the Company and Canere Actives and Fine Chemicals Private Limited (Canere) which was sanctioned by the Hon'ble High Court at Bombay on 15th April, 2004, all the assets and liabilities of Canere were transferred and vested in the Company w.e.f. the appointed date – 1st October 2003 in consideration of the issue of 15,00,000 5% Cumulative Redeemable Preference Shares of Rs.100 each credited as fully paid up to the shareholders of Canere in the ratio of 3 Preference Shares for every 20 Equity Shares held by them. The shortfall of Rs.238.5 Million for the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the face value of Preference Shares to be issued and allotted by the Company as stated above, has been debited to the Share Premium Account to the extent of Rs.159.4 Million and the balance Rs.79.1 Million to General Reserve as per the Scheme of Amalgamation.

In terms of the Accounting Standard 14 on Accounting of Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method' wherein all assets and liabilities of Canere were recorded at their carrying amounts on the date of Amalgamation.

(c) In terms of the Scheme of Arrangement (duly modified) between The Morarjee Goculdas Spg. & Wvg. Co. Ltd. (Morarjee) and Canere which was sanctioned by the Hon'ble High Court at Bombay on15th April, 2004 the Tools Division of Morarjee demerged into the Company as successor of Canere in consideration of the issue of 23,372,280 5% Cumulative Redeemable Preference Shares of Rs.10 each credited as fully paid up to the shareholders of Morarjee in the ratio of 6 Preference Shares for every 5 Equity Shares held by them. Consequent to the demerger, all the assets and liabilities of the Tools division were transferred and vested in the Company on a going concern basis w.e.f. the appointed date – 1st December 2003 and recorded at the book values as on the appointed date. The excess of the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the face value of Preference Shares to be issued and allotted by the Company as stated above, has been credited to Capital Reserve as per the Scheme of Arrangement.

(d) For all the above three sanctions, certified copy of the orders are yet to be received by the Company. However, the Company has been legally advised that merger can be effected from the appointed date as per the respective Scheme.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

3. The Scheme of Arrangement to transfer, effective 1st July 2003, the investment in Gujarat Glass Private Limited (GGPL) (representing 53.76 % of its equity share capital) to a separate entity (Kojam Fininvest Limited) and allot the shares of the said entity to the shareholders of the Company free of cost in proportion to their holding in the Company was approved by the shareholders at the meeting held on 19th September, 2003 and respective High Courts at Gujarat and Bombay by orders dated 20th November, 2003 and 4th December, 2003 respectively. Consequently, investments in GGPL have been transferred to Kojam Fininvest Limited and the carrying cost of such investments together with the expenses incurred in carrying out and implementing the scheme and matters incidental thereto amounting to Rs.99.4 Million have been debited to the Share Premium Account as per the Scheme of Arrangement.

			As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
4.		Estimated amount of outstanding contracts/Capital commitment.	362.8	77.6
5.		Contingent Liability :		
	a.	Demand dated June 5, 1984 the Government had 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 unsustainable.	6.1	6.1
	b.	Guarantees issued to Government authorities and limited companies including performance guarantees.	51.6	180.7
	c.	Appeals filed in respect of disputed demands :		
		Income tax	666.1	579.7
		Sales tax	32.7	21.2
		Central Excise	101.0	127.7
		Labour Matters	3.6	1.9
		Stamp Duty	40.5	–
	d.	Bills Discounted	119.2	81.9

6. The results for the year ended 31st March, 2004 are not strictly comparable with that of the previous year as the current year's figures include:

   a) Operations of Global Bulk Drugs and Fine Chemicals Private Limited (GBDFCL) for the full year as against operations of three months (1st January 2003 to 31st March 2003) included in the previous year consequent to its merger with the Company effective 1st January 2003.

   b) Operations of SPPL for the full year consequent to its merger with the Company effective 1st April 2003.

   c) Operations of Canere for the period 1st October, 2003 to 31st March, 2004 consequent to its merger with the Company effective 1st October 2003; and

   d) Operations of the Tools division for the period 1st December, 2003 to 31st March, 2004 consequent to its demerger from Morarjee into the Company effective 1st December 2003.

7. Write Back of provision to Share Premium Account in the year ended 31st March, 2003 represents write back of provision of Rs.63.8 Million made and debited to Share Premium Account in the year ended 31st March 2002 in terms of the Scheme of Arrangement between the Company and Rhone-Poulenc India Limited, Super Pharma Limited and NPIL Fininvest Private Limited sanctioned by the Order of the Hon'ble Bombay High Court.

8. As a matter of prudence and consequent on earlier implementation of the Accounting Standard – AS 28 "Impairment of Assets", Rs.83.3 Million representing impairment loss on certain brands / Intellectual Property Rights (IPR) have been adjusted during the year against the General Reserve as on 1st April, 2003. Accordingly no amortisation for the above brands / intellectual property rights have been made during the year.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

9. In view of the set off of the accumulated losses / unabsorbed depreciation of Rs.1613.0 Million of the entities referred to in Note 2 (b) and (c) available to the Company under section 72A of the Income Tax Act, 1961 (the Act) there is no liability on the Company except under section 115JB of the Act, which has been provided for.

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

Rs. in Million

	As at 31st March, 2004		As at 31st March, 2003	
	Deferred tax Assets	Deferred tax Liabilities	Deferred tax Assets	Deferred tax Liabilities
On account of timing differences				
– Depreciation	–	545.6	–	448.0
– VRS	114.9	–	86.3	–
– Others	60.4	–	25.9	–
Total	**175.3**	**545.6**	**112.2**	**448.0**

Deferred tax written back of Rs.184.0 Million includes deferred tax liability in respect of SPPL which has been merged with the Company effective 1st April, 2003.

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 - AS 18 “Related Parties Disclosures” issued 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
- Gujarat Glass Private Limited (upto 30th June 2003)
- NPIL Laboratories and Diagnostics Private Limited
- NPIL – Dr. Phadke Pathology Laboratory and Infertility Center Private Limited
- NPIL – Dr.Golwilkar Laboratories Private Limited
- NPIL Pharma Inc.

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

Nicholas Piramal India Limited

Schedule 22 (Contd.)

D. Key Management Personnel
Mr. Ajay G. Piramal
Dr. Swati A. Piramal
Mrs. Urvi A. Piramal
Mr. Vijay Shah
Mr. N. Santhanam
Mr. Harsh Piramal
Dr. Somesh Sharma
Mr. J. C. Saigal

Details of Transactions are as below : **(Rs. in Million)**

	Subsidiaries		Associates		Key Management Personnel		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Purchase of Goods	23.8	136.2	721.1	530.6	–	–	**744.9**	666.8
Sale of Goods	18.0	13.8	312.0	220.4	–	–	**330.0**	234.2
Purchase of Fixed Assets	–	–	7.3	20.4	–	–	**7.3**	20.4
Sale of Fixed Assets	–	–	0.3	130.4	–	–	**0.3**	130.4
Rendering of Services	32.5	25.7	7.1	62.1	–	–	**39.6**	87.8
Receiving of Services	0.4	0.6	90.7	70.1	–	–	**91.1**	70.7
Rent Paid	–	–	25.6	48.9	–	–	**25.6**	48.9
Rent Received	–	–	2.5	1.8	–	–	**2.5**	1.8
Finance (including loans and Equity contribution in cash or in kind)	6740.1	5836.5	–	–	–	–	**6740.1**	5836.5
Interest Received	59.5	121.6	3.0	6.5	–	–	**62.5**	128.1
Management Contracts including for Deputation of Employees – Services rendered	0.3	10.9	1.3	4.6	–	–	**1.6**	15.5
Management Contracts including for Deputation of Employees – Services received	0.3	1.0	0.7	–	–	–	**1.0**	1.0
Remuneration	–	–	–	–	68.4	49.6	**68.4**	49.6
Corporate Guarantees	–	–	–	107.0	–	–	**–**	107.0
Others – Payments	–	–	–	125.0	–	–	**–**	125.0
Others – Receipts	–	–	–	144.0	–	–	**–**	144.0
Outstanding Balances								
– Receivables	16.7	34.2	28.9	168.1	–	–	**45.6**	202.3
– Payables	–	4.1	127.4	35.2	–	–	**127.4**	39.3
– Outstanding ICD	–	68.5	–	–	–	–	**–**	68.5

Nicholas Piramal India Limited

Schedule 22 (Contd.)

		As at March 31, 2004 Rs. in Million		As at March 31, 2003 Rs. in Million
13. Managerial Remuneration :				
A. To Chairman and Executive Directors				
a. Salaries		15.8		15.0
b. Commission		21.0		16.6
c. Contribution to Provident Fund and Superannuation Fund		4.3		4.1
d. Other Perquisites		4.0		3.2
		45.1		38.9
B. To other Directors		3.7		3.0
C. Director's Fees		0.6		0.4
Total Managerial Remuneration		**49.4**		**42.3**
D. Computation of Net Profit u/s 198 / 349 of the Companies Act, 1956				
Profit before tax and Exceptional Items	2045.2		1844.3	
Less : - Exceptional Items	216.9		599.8	
- Profit on sale of investments / assets (net)	–		53.7	
		1828.3		**1190.8**
Add : - Managerial remuneration	49.4		42.3	
- Provision for doubtful debts	69.1		25.4	
- Loss on Sale of Assets (net)	5.6		–	
		124.1		**67.7**
Net profit u/s 198 / 349 of the Companies Act, 1956		**1952.4**		**1258.5**
I) Commission to Chairman / Executive Directors restricted to		21.0		16.6
II) Commission to Non Wholetime Directors @1% of Net Profit u/s 349, Rs.19.5 Million restricted to		3.7		3.0
14. a. Value of import calculated on CIF basis :				
i. Raw materials		556.0		463.1
ii. Capital goods		132.2		10.1
iii. Traded Goods/Reagents		595.7		805.3
b. Expenditure in Foreign Currency :				
i. Subscriptions		0.7		1.3
ii. Travelling		8.8		8.0
iii. Royalty		75.1		55.5
iv. Professional Fees		6.8		11.4
v. Others		41.3		60.7
15. Earnings in Foreign Exchange :				
i. Export of goods calculated on FOB basis		971.5		395.4
ii. Commission		5.9		28.9
iii. Research Income		2.3		2.4
iv. Others		28.6		15.6

Nicholas Piramal India Limited

Schedule 22 (Contd.)

		As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
16.	Miscellaneous Expenses includes Auditors' remuneration in respect of : Statutory Auditors		
	a) Audit fees	3.8	2.9
	b) Tax Audit Fees	0.6	0.5
	c) Certification Fees / Other Services	2.0	1.1
	d) Reimbursement of Out of pocket Expenses	0.1	0.1

17. Total Amount due to Small Scale Industrial Undertaking is Rs.43.1 Million (Previous Year Rs.27.0 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:

Party	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Acid Chem Industries – (Previous Year Rs.8196)	–	–
Adams Fine Chemicals Private Limited	2.0	1.0
Aditya Better Containers – (Previous Year Rs.16494)	–	–
Alled Caps – (Previous Year Rs.6596)	–	–
Anant Packaging Industries – (Previous Year Rs. 2786)	–	–
Ansa Packaging Products Private Limited	–	0.3
Angel Engineering Industries Ltd. – (Rs.2695)	–	–
Ansa Printpack Private Limited	0.3	0.4
Axar Medical Pvt. Ltd. – (Rs.22980)	–	–
Axar Pharmaceuticals Pvt. Ltd. – (Rs.79939)	–	–
Atlas Fib	–	0.1
Auto Fits	–	0.3
Biodeal Laboratories	–	0.1
Blow Plast Industries	–	0.2
Bajaj Health and Nutrition Pvt. Ltd.	3.7	–
Bombay Carbon Dioxide Gas Corporation	0.4	0.1
Canberra Chemicals Ltd.	0.1	–
Chettiyar Industrial Corporation – (Rs.43024) (Previous Year –Rs.41302)	–	–
Curekraft Chemicals India Private Limited	–	0.6
Corey Organics Limited – (Rs.58102)	–	–
Cyril Printers – (Rs.16457)	–	–
Dolphin Labware – (Previous Year Rs.10792)	–	–
DM Printers – (Rs.2345)	–	–
Deep Pharm-chem Pvt. Ltd.	1.3	0.2
Durga Industries	0.1	–
East Coast Organics Pvt. Ltd.	0.3	–
Enar Chemie Private Limited – (Previous Year Rs.6571)	–	–

Nicholas Piramal India Limited

Schedule 22 (Contd.)

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
EBY Industries Ltd. – (Rs.48657)	–	–
Fluid Pack – (Previous Year Rs.33670)	–	–
Fraka Dryfreeze Limited – (Previous Year Rs.16126)	–	–
Five Star Pharmaceuticals. – (Rs.7600)	–	–
GR Enterprises – (Rs.1043) (Previous Year Rs.1043)	–	–
GHR and SSIDCL – (Rs.5787) (Previous Year Rs.5787)	–	–
Gopal Das Visram & Co.	0.2	–
Gujarat Industrial Chemical Corporation	–	1.4
Hiena Pharma – (Previous Year Rs.20082)	–	–
HBR Packaging	0.1	–
Hanaka Organics Pvt. Ltd.	0.7	–
Hi–Pro Tooling Systems	0.7	0.3
Industrial Engineering Corporation – (Rs.10345)	–	–
Innova Laboratories – (Previous Year Rs.557)	1.0	–
Interlabels Private Limited	–	0.1
Jagruti Chemical Industries	1.1	–
J.P. Fine Chemicals	–	0.3
Kalapi Printing Press	–	0.3
Laxmi Polyplast Industries – (Previous Year Rs.24624)	–	–
MB Chemicals – (Rs.52334)	–	–
Magnose Engineering Company – (Rs.5523) (Previous Year Rs.5523)	–	–
Maheep Paper Tubes & Packaging – (Rs.43608)	–	–
Mahim Polyprints – (Previous Year Rs.12523)	–	–
Maruti Cores & Containers	–	0.6
Malar Plastics Private Limited – (Rs.44408) (Previous Year Rs.2621)	–	–
Medisynth Fine Chemicals	0.7	0.2
Mepro Pharmaceuticals Pvt. Ltd.	2.0	–
Meridian Chem Bond Limited	–	5.6
Metalonic Engineers – (Previous Year Rs.20188)	–	–
Mevada Engineering – (Previous Year Rs.11884)	–	–
Mrugal Enterprises – (Rs.2376)	–	–
Novex Poly Films Private Limited – (Previous Year Rs.27194)	0.2	–
Padmakar Engineering – (Rs.6840)	–	–
Pankaj Industries – (Previous Year Rs.2080)	–	–
Parishram Engineering – (Rs.360)	–	–
Partytime Ice Private Limited	–	0.1
Patel Papain Industries	1.0	0.2
Pharma Spares – (Previous Year Rs.30028)	–	–
Pragathi Switches	–	0.6
Pragati Organics Pvt. Ltd.	3.0	–

Nicholas Piramal India Limited

Schedule 22 (Contd.)

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Quality Industries – (Previous Year Rs.28088)	0.1	–
Ruby Orgaincs Pvt. Ltd.	0.4	–
R Mendez & Sons – (Previous Year Rs.8491)	–	–
S. K. Industries – (Previous Year Rs.11938)	–	–
S. R. Drugs & Intermediates	–	8.9
Salicylate & Chemical Private Limited – (Previous Year Rs.4784)	–	–
S Kant Healthcare Ltd.	0.3	–
Sanjoo Printers – (Rs.12213)	–	–
Saroj Prints – (Rs.12763) (Previous Year Rs.3766)	–	–
Seasons Polymers – (Rs.649)	–	0.2
Sealwell India – (Previous Year Rs.5815)	–	–
Santhi Industries – (Rs.31992)	–	0.1
Sima Products – (Previous Year Rs.45728)	0.5	–
Sontaro Organic Industries – (Previous Year Rs.48000)	0.1	–
Sri Chavadi Pharma Ltd.	0.1	–
Star Drugs & Research Labs Ltd. – (Rs.1600)	–	–
Steadfast Packaging	–	0.4
Super Olefins Private Limited	–	0.2
Synthopharma Industries	–	0.8
Sukkan Industries	0.2	–
Supreme Pharmaceuticals	0.2	–
Suvik Hi Tek Pvt. Ltd.	0.4	–
The Madras Pharmaceuticals Ltd.	0.2	–
Time Pharma	0.4	–
Umedica Laboratories Pvt. Ltd.	2.5	–
Unicare Emergency Equipment – (Rs.2412)	–	–
Urmi Chemicals	0.5	0.2
Vardhaman Remedies Pvt. Ltd.	0.2	–
Vasant Process – (Rs.39322)	–	0.1
Vijalak Engineers Private Limited	–	2.8

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 had filed a counter claim of Rs.382.6 Million on the Contractor. No award has yet been made by the Arbitration panel.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

20. Loans (Interest bearing) to subsidiary / associate companies are as follows:

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Subsidiary Companies		
NPIL Laboratories and Diagnostics Private Limited	–	55.7
NPIL – Dr. Phadke Pathology Laboratory and Infertility Centre Private Limited	–	10.3
NPIL – Dr.Golwilkar Laboratories Private Limited	–	2.5
Total	–	**68.5**
Associate Companies	**–**	**–**
Maximum amount due during the year :		
	Rs. in Million	Rs. in Million
From Subsidiary Companies		
NPIL Fininvest Private Limited	3109.9	2481.7
NPIL Laboratories and Diagnostics Private Limited	69.2	61.7
NPIL – Dr. Phadke Pathology Laboratory and Infertility Centre Private Limited	25.0	10.3
NPIL – Dr.Golwilkar Laboratories Private Limited	3.5	2.5
From Associate Companies	**–**	**–**

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 5 years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Company has placed a refundable deposit of Rs.382.5 Million (Rs.258.5 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of vehicles and computers on lease:

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Payable :		
Not Later than one year	68.0	4.3
Later than one year but not later than five years	149.4	16.7
Later than five years	–	–

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

23. 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, 2004	For the year ended March 31, 2003
1. Profit before tax and exceptional items (Rs.Million)	2045.2	1844.3
2. Exceptional items (Rs.Million)	216.9	599.8
3. Profit after tax (Rs.Million)	1880.1	1181.1
4. Preference dividend and distribution tax thereon (Rs.Million)	18.7	2.6
5. Number of shares (nos.)	38003201	38003201
6. EPS before exceptional items (Net of Tax) (Rs.)	54.7	41.0
7. EPS after exceptional items (Rs.)	49.0	31.0
8. Face value per share (Rs.)	10.0	10.0

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

Nicholas Piramal India Limited

Schedule 22 (Contd.)

25. Assets and Liabilities as on 31st March, 2004 and Income and Expenses for the year ended 31st March, 2004 related to the interest of the Company in its Jointly Controlled Entities are:

Rs. in Million

Particulars	Allergan India Private Limited	Boots Piramal Healthcare Private Limited	NPIL – Dr. Phadke Pathology Laboratory & Infertility Center Private Limited	NPIL – Dr. Golwilkar Laboratories Private Limited
Assets				
Net Fixed Assets (including CWIP)	46.9	4.3	55.1	29.8
Investments	–	19.2	–	–
Deferred Tax Asset	6.6	1.0	–	–
Inventories	36.5	1.4	2.0	1.9
Sundry Debtors	63.1	88.0	3.7	2.0
Cash & Bank Balances	41.0	13.6	2.8	0.9
Other Current Assets	–	2.6	–	–
Loans and Advances	12.7	48.6	1.2	1.0
Liabilities				
Secured Loans	2.0	0.2	–	–
Unsecured Loans	–	24.5	13.0	4.2
Deferred Tax Liability	8.9	0.3	1.4	1.5
Current Liabilities	67.7	57.2	6.4	2.8
Provisions	1.5	1.8	–	–
Income				
Net Sales	420.1	373.2	53.0	23.7
Other Income	2.9	1.6	–	–
Expenses				
Materials	198.2	161.4	16.2	9.9
Staff Cost	34.6	19.2	6.6	2.9
Other Expenses	96.5	108.3	17.0	6.8
(Increase) / Decrease in WIP / Finished Goods	8.6	(1.4)	(0.6)	(0.8)
Interest (Net)	0.5	(2.4)	1.3	0.3
Depreciation	10.8	1.1	1.2	0.9
Provision for Taxation (including DeferredTax)	26.4	31.5	4.1	1.3

26. The Previous Year's figures have been re-grouped, wherever necessary.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

27. Capacity, Production, Sales and Stocks

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

Category	UOM	Installed Capacity	Opening Stock 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	–	17,094.81	52.1	0.41	0.2	–	273,834.10	234.2	235,707.58	375.5	53,314.89	53.8
		–	(45,259.34)	(73.0)	–	–	–	(126,306.96)	(214.3)	(122,753.53)	(266.9)	(17,094.81)	(52.1)
Vials	Ltrs	–	296.00	137.5	0.06	1.0	–	132.46	257.7	382.04	575.1	23.88	27.0
		–	(155.16)	(107.1)	–	–	–	(445.68)	(231.6)	(302.59)	(329.2)	(296.00)	(137.5)
Tablets & Capsules	Mios	–	260.73	289.3	2.46	3.9	–	934.78	1204.0	845.64	2235.8	309.86	294.2
		–	(172.14)	(175.9)	–	–	–	(1,196.91)	(947.3)	(1,101.44)	(1486.6)	(260.73)	(289.3)
Liquids, Drops & Solutions	Ltrs	–	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
		–	(98,770.71)	(26.5)	–	–	–	(1,269,729.71)	(314.3)	(1,063,054.22)	(376.9)	(301,939.59)	(77.2)
Feed Supplements & Others	Kgs	–	50,390.00	9.4	–	–	–	301,204.00	31.5	301,861.00	35.5	2,615.00	0.5
		–	(2,815.00)	(0.7)	–	–	–	(544,802.00)	(111.0)	(496,712.00)	(109.1)	(50,390.00)	(9.4)
Others		–	–	161.1	–	10.5	–	–	510.4	–	880.3	–	195.9
		–	–	(169.4)	–	–	–	–	(432.6)	–	(738.5)	–	(161.1)
Manufactured													
Tablets	Mios	10,996.73	370.16	152.0	–	–	4,060.49	–	–	3,849.56	3077.6	574.01	183.5
		(10,996.73)	(384.50)	(137.7)	–	–	(3,610.05)	–	–	(3,623.43)	(2612.4)	(370.16)	(152.0)
Capsules	Mios	885.49	35.86	37.4	–	–	231.33	–	–	216.57	497.3	47.82	47.3
		(885.49)	(36.39)	(36.6)	–	–	(238.45)	–	–	(236.73)	(500.5)	(35.86)	(37.4)
Liquids	KLs	16,775.00	729.81	132.0	–	–	10,130.99	–	–	9,582.15	2989.9	1118.34	199.2
		(16,775.00)	(869.66)	(111.8)	–	–	(9,927.80)	–	–	(9,746.66)	(2823.8)	(729.81)	(132.0)
Powders,Creams & Ointments	MTs	240.50	16.87	12.1	–	–	108.41	–	–	113.38	182.9	10.36	12.0
		(240.50)	(6.07)	(5.0)	–	–	(151.30)	–	–	(127.31)	(124.2)	(16.87)	(12.1)
Bulk Drug & Intermediates (2)	MTs	1,324.10	6.20	11.8	–	–	752.33	–	–	582.79	1146.2	29.28	49.5
		(1,189.10)	–	(0.1)	(14.20)	(25.0)	(251.08)	–	–	(217.07)	(401.2)	(6.20)	(11.8)
Vitamin A in various Forms & Combinations (2)	mmu	77.70	3.06	8.5	–	–	161.01	–	–	119.75	511.1	0.48	1.2
		(77.70)	(0.30)	(0.9)	–	–	(153.06)	–	–	(99.70)	(445.4)	(3.06)	(8.5)
Others		–	–	9.9	–	27.5	–	–	–	–	264.6	–	28.0
		–	–	(42.5)	–	–	–	–	–	–	(329.2)	–	(9.9)
Excise Duty		–	–	–	–	–	–	–	–	–	(671.3)	–	–
		–	–	–	–	–	–	–	–	–	(901.7)	–	–
Grand Total				1090.3		43.2			2681.7		12690.5		1215.4
				(887.2)		(25.0)			(2251.1)		(9642.2)		(1090.3)

Note :

1. Includes products processed by third parties.
2. Includes production for captive consumption of 179118 kgs (Previous Year 61706 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. Stocks on Acquisition is on account of Amalgamation of Tools Division of The Morarjee Goculdas Spg. & Wvg. Co. Limited, Sarabhai Piramal Pharmaceuticals Private Limited and Canere Actives and Fine Chemicals Private Limited with the Company
8. 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.

Nicholas Piramal India Limited

Schedule 22 (Contd.)

MATERIALS CONSUMED

	UOM	QUANTITY YEAR ENDED		RS. IN MILLION YEAR ENDED	
		31.03.04	31.03.03	31.03.04	31.03.03
Codeine Phosphate	Kgs	9786.93	9453.88	336.0	324.6
Sulphamethaxazole	Kgs	131447.64	144243.36	39.1	46.9
Chondroitin Sulphate	Kgs	3487.39	3922.16	19.9	29.2
Verapamil Hydrochloride	Kgs	5377.61	5302.43	24.5	30.3
Others				2888.3	2221.3
Total				3307.8	**2652.3**

Whereof:		%		%
Imported at Landed Cost	757.1	22.89	546.2	20.59
Indigenous	2550.7	77.11	2106.1	79.41
Total		3307.8		**2652.3**

Notes :

1. Components and Spare Parts referred to in Para 4D (c) of Schedule VI of the Companies Act, 1956 are assumed to be those incorporated in goods produced and not those used for maintenance of Plant & Machinery.

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 ,unserviceable 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 04

Date Month Year

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

Allotment of Preference Shares to Shareholders of Canere Actives and Fine Chemicals Private Limited and The Morarjee Goculdas Spg. & Wvg. Co. Limited

383722

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
6583185	11026631

Sources of Funds

Paid up Capital	Reserves & Surplus
530032	3529691
Secured Loans	Unsecured Loans
2340960	1028681

Application of Funds

Net Fixed Assets	Investments
5300600	250034
Net Current Assets	Miscellaneous Expenditure
2632769	NIL
Accumulated Losses	
NIL	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
12690413	11105471
+ - Profit / Loss Before Tax and exceptional items	+ - Profit / Loss After Tax
+2045209	+1880121
Earnings per Share in Rs. (Profit for the year / Paid up Equity)	Dividend Rate %
49.00	150.00%

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	HAEMACCEL
Item Code No.	300310
Product Description	PARAXIN

Signatures to Schedules I to 22

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Statement Pursuant to Section 212 of the Companies Act, 1956

1	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
2	Financial Year ended on	31.03.2004	31.03.2004	31.03.2004	31.03.2004	31.03.2004	31.03.2004
3	Extent of the Holding Company's interest in the Subsidiary Company	25,00,000 Equity Shares of Rs. 10 /- each (100%)	1,80,000 Equity Shares of Rs. 10/- each (60%)	7,000 Equity Shares of Rs. 100 /- each (70%)	2,21,552 Equity Shares of Rs. 10 /- each (100%)	1,00,000 Equity Shares of USD 1/- each (100%)	10,25,000 Equity Shares of USD 1/- each (100%)
		(Rs. In Million)	(Rs. In Million)	(Rs. In Million)	(Rs. in Million)	(USD in '000's)	(USD in '000's)
4	Net aggregate amount of the profit / (loss) of the subsidiary company not dealt with in the Holding Company's accounts (Concerning the members of the Holding Company)						
	a) For the Current Year	17.9	7.2	2.5	1.0	(6.2)	(1.1)
	b) For the previous years since it became a subsidiary	12.9	2.4	2.4	1.1	–	(1023.9)
5	Net aggregate amount of the profit / (loss) of the subsidiary company dealt with in the Holding Company's accounts						
	a) For the Current Year	–	–	–	–	–	–
	b) For the previous years since it became a subsidiary	52.2	1.5	–	1.4	–	–

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Mumbai, April 22, 2004

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

We have audited the attached consolidated Balance Sheet of Nicholas Piramal India Limited and its subsidiaries (the Group), as at March 31, 2004, 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 consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries and joint ventures Gujarat Glass Private Limited, Ceylon Glass Company Limited, GG USA Inc., 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, Allergan India Private Limited, Boots Piramal Healthcare Private Limited, whose financial statements reflect the Group's share of total assets of Rs.6543.5 million as at March 31, 2004 (As at June 30, 2003 for Gujarat Glass Private Limited, Ceylon Glass Company Limited and GG USA Inc.) and the Group's share of total revenues of Rs.1713.4 million (For the period April 1, 2003 to June 30, 2003 for Gujarat Glass Private Limited, Ceylon Glass Company Limited and GG USA Inc.) and net cash inflows amounting to Rs.77.1 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.

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 Standard 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

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 explanations 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 31,2004;

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

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

P. N. Ghatalia
Partner
Membership No. F - 9554
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Dated : April 22, 2004

Nicholas Piramal India Limited (Consolidated)
Balance Sheet as at March 31, 2004

	Schedule No.		As at March 31, 2004 Rs. in Million		As at March 31, 2003 Rs. in Million
I. SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	I	530.0		530.0	
Share Capital Suspense	IA	383.7		–	
Reserves & Surplus	2	3667.9		4103.6	
			4581.6		**4633.6**
Minority Interest					
Capital		–		348.1	
Reserves & Surplus		–		758.5	
			–		**1106.6**
Loan Funds					
Secured Loans	3	2343.2		4500.8	
Unsecured Loans	4	1219.9		2166.3	
			3563.1		**6667.1**
Deferred Tax Liability			**560.5**		**856.9**
TOTAL			**8705.2**		**13264.2**
II. APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		6585.0		10919.5	
Less : Depreciation		1389.5		2832.8	
Net Block		**5195.5**		**8086.7**	
Capital Work In Progress		431.5		592.1	
			5627.0		**8678.8**
Investments	6		**52.0**		**77.6**
Deferred Tax Assets			**183.1**		**248.0**
Current Assets, Loans and Advances					
Inventories	7	1949.9		2304.3	
Sundry Debtors	8	1816.0		2294.7	
Cash and Bank Balances	9	251.5		240.0	
Other Current Assets	10	12.0		21.9	
Loans and Advances	11	1556.1		2109.7	
		5585.5		**6970.6**	
Less : Current Liabilities and Provisions					
Current Liabilities	12	1942.6		2167.1	
Provisions	13	799.8		578.9	
		2742.4		**2746.0**	
Net Current Assets			**2843.1**		**4224.6**
Miscellaneous Expenditure (To the extent not written off or adjusted)	14		–		**35.2**
TOTAL			**8705.2**		**13264.2**

NOTES TO THE FINANCIAL STATEMENTS 23

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.

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Nicholas Piramal India Limited (Consolidated)
Profit and Loss Account for the year ended March 31, 2004

	Schedule No.		Year Ended March 31, 2004 Rs. in Million		Year Ended March 31, 2003 Rs. in Million
INCOME					
Sales and Services		15600.8		15791.4	
Less : Excise Duty		709.9		1138.9	
Less : Sales Tax		1018.7		980.1	
Net Sales		13872.2		13672.4	
Other Income	15	257.0		342.6	
			14129.2		**14015.0**
EXPENDITURE					
Materials	16	6041.6		6006.4	
Staff Cost	17	1476.5		1343.1	
R & D Expenses	18	301.8		168.5	
Other Expenses	19	3366.8		3319.1	
(Increase)/Decrease in WIP/Finished Goods	20	(97.2)		(155.5)	
			11089.5		**10681.6**
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX			**3039.7**		**3333.4**
Less : Interest (Net)	21		237.0		614.1
PROFIT BEFORE DEPRECIATION AND TAX			**2802.7**		**2719.3**
Less : Depreciation			512.7		638.1
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			**2290.0**		**2081.2**
Less : Exceptional Items	22		256.1		622.9
PROFIT BEFORE TAX			**2033.9**		**1458.3**
Less : Provision for Taxation - Current [Includes prior period tax Rs. 7.6 Million (Previous Year Rs. 2.3 Million) and Wealth tax provision of Rs. 1.5 Million (Previous Year Rs.1.0 Million)] (Refer note 10, Sch. 23)		208.2		209.5	
Less : Deferred Tax (Refer note 11, Sch. 23)		(170.9)		55.9	
			37.3		**265.4**
PROFIT FOR THE YEAR			**1996.6**		**1192.9**
Dividend on Preference Shares - Subsidiary Companies			–		22.6
Proposed Interim Dividend - Subsidiary Companies			–		3.4
PROFIT BEFORE MINORITY INTEREST			**1996.6**		**1166.9**
Minority Interest			–		11.7
PROFIT AFTER MINORITY INTEREST			**1996.6**		**1155.2**
Balance Profit brought forward			1920.9		1212.8
NET PROFIT AVAILABLE FOR APPROPRIATION			**3917.5**		**2368.0**
Debenture Redemption Reserve		–		91.7	
Transfer from Debenture Redemption Reserve		–		(215.4)	
Proposed Dividend on Equity Shares		570.1		399.0	
Distribution Tax thereon		73.0		51.1	
Proposed Dividend on Preference Shares		9.0		2.3	
Proposed Dividend on Preference Shares to be alloted (Refer note 2 (b) (c), Sch.23)		7.6		–	
Distribution Tax thereon		2.1		0.3	
Transfer to General Reserve		1700.0		118.1	
			2361.8		**447.1**
BALANCE CARRIED TO BALANCE SHEET			**1555.7**		**1920.9**
Earnings Per Share (Basic / Diluted) (Rs.)			**52.1**		**30.3**
Earnings Per Share before Exceptional Items (Net of Tax) (Rs.)			**58.8**		**40.7**

NOTES TO THE FINANCIAL STATEMENTS **23**

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.

P. N. Ghatalia	**Ajay G Piramal**	Chairman	**R A Shah**	Director
Partner	**C M Hattangdi**	Director	**Vijay Shah**	Director - Chief Operating Officer
For and on behalf of	**Rajesh Khanna**	Director		
Price Waterhouse	**Y H Malegam**	Director	**M R Shroff**	Director
Chartered Accountants	**Dr. Swati A Piramal**	Director - Strategic Alliances & Communications	**N Vaghul**	Director
(Membership No. F-9554)			**S Venkitaramanan**	Director
Mumbai, April 22, 2004	**Urvi A Piramal**	Director	**N Santhanam**	Chief Financial Officer
	Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Nicholas Piramal India Limited (Consolidated)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

		Year Ended March 31, 2004 Rs. in Million	Year Ended March 31, 2003 Rs. in Million
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	2033.9	1458.3
	Adjustments for :		
	Depreciation	527.5	649.8
	Interest Expense	462.7	813.3
	Interest Income	(225.7)	(199.2)
	Dividend on Investments	(1.5)	–
	(Profit)/Loss on Fixed Assets sold (net)	5.5	(93.6)
	(Profit)/Loss on Sale of Investments (net)	–	24.3
	Miscellaneous Expenditure written off	0.9	343.0
	Expenses on Implementaion of GGL Scheme of Arrangement	(6.4)	–
	Bad Debts Written off	–	4.6
	Provision for Diminution in Value of Investments	1.0	–
	Provision for Doubtful Debts	72.2	28.2
	Provision for Employee Retirement Benefits	43.0	24.9
	Unrealised foreign exchange (gain) /loss	(59.1)	11.1
	Exceptional Items	256.1	274.9
	Gain on Prepayment of Sales Tax Deferment Loan	(62.7)	–
	Operating Profit Before Working Capital Changes	**3047.4**	**3339.6**
	Adjustments For Changes In Working Capital :		
	– (INCREASE)/DECREASE in Sundry Debtors	(172.8)	(175.1)
	– (INCREASE)/DECREASE in Other Receivables	(1.9)	(31.9)
	– (INCREASE)/DECREASE in Inventories	(86.9)	(87.3)
	– INCREASE/(DECREASE) in Trade and Other Payables	65.9	(191.5)
	Cash Generated From Operations	**2851.7**	**2853.8**
	– Taxes Paid (Net of Refunds)	(90.3)	(166.6)
	Net Cash Before Exceptional Items	**2761.4**	**2687.2**
	– Exceptional Items	(256.1)	(274.9)
	Net Cash From Operating Activities (A)	**2505.3**	**2412.3**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	(597.8)	(572.4)
	Capital Work in Progress	(456.7)	(238.2)
	Proceeds from Sale of Fixed Assets	402.3	269.6
	Proceeds from Sale of Investments	5.8	395.8
	Purchase of Investments	(694.3)	(75.1)
	Interest Received	184.1	199.2
	Dividend on Investments	1.5	–
	Net Cash From / (Used) in Investing Activities (B)	**(1155.1)**	**(21.1)**

Nicholas Piramal India Limited (Consolidated)
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	Year Ended March 31, 2004 Rs. in Million	Year Ended March 31, 2003 Rs. in Million
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.15.4 Million (Previous Year Nil) on reinstatement of Foreign Currency Loan]	1108.0	1142.6
Payments	(623.4)	(1874.8)
Proceeds from Short Term Borrowings		
Receipts [Excludes Exchange Fluctuation of Rs.6.8 Million (Previous Year Nil) on reinstatement of Foreign Currency Loan]	555.1	364.7
Payments	(1296.6)	(1181.8)
Proceeds from Fixed Deposits (net)	(0.1)	(1.3)
Proceeds from Cash Credits (net)	(75.3)	132.4
Preference Shares Receipt	145.0	245.0
Preference Shares Payment	(245.0)	(155.0)
Interest Paid	(468.5)	(811.8)
Dividend Paid	(404.7)	(359.5)
Dividend Tax Paid	(51.4)	–
Net Cash Used in Financing Activities (C)	**(1356.9)**	**(2499.5)**
Net Increase / (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)	**(6.7)**	**(108.3)**
Cash and Cash Equivalents As At 31.03.2003	**240.0**	**263.5**
Cash and Cash Equivalents Acquired on Amalgamation (Refer note 3a)	58.2	84.8
Cash and Cash Equivalents Transferred Pursuant to Scheme of Arrangement / Consolidation Adjustment. (Refer note 3b)	(40.0)	–
Cash and Cash Equivalents As At 31.03.2004	**251.5**	**240.0**
Cash and Cash Equivalents Comprise		
Cash and Cheques on hand	5.6	6.0
Balance with Scheduled Banks	245.9	234.0
	251.5	**240.0**

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. 18.1 Million which are not available for use by the Company. (Refer Schedule 9 in the accounts)

3 The above Cash Flow Statement excludes assets (other than Cash and Cash Equivalents) / liabilities:

a) Acquired on amalgamation / arrangement with Sarabhai Piramal Pharmaceuticals Private Limited, Canere Actives and Fine Chemicals Private Limited and Tools division of The Morarjee Goculdas Spg. and Wvg. Co. Limited. (Refer note 2(a) (b) and (c), Sch.23)

b) Accounted on Consolidation Adjustment of Gujarat Glass Private Limited transferred pursuant to a Scheme of Arrangement.
(Refer note 3, Sch.23)

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

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	Director	**Leonard D'Souza**	Company Secretary

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
1. SHARE CAPITAL		
AUTHORISED		
5,00,00,000 (5,00,00,000) Equity Shares of Rs. 10/- each	500.0	500.0
30,00,000 (15,00,000) Preference Shares of Rs. 100/- each	300.0	150.0
2,40,00,000 (Nil) Preference Shares of Rs. 10/- each	240.0	–
2,10,00,000 (1,00,00,000) Unclassified Shares of Rs. 10/- each	210.0	100.0
	1250.0	750.0
Authorised Capital increased pursuant to shareholder's approval in the Extra Ordinary General Meeting held on March 08, 2004		
ISSUED & SUBSCRIBED		
3,80,03,201(3,80,03,201) Equity Shares of Rs. 10/- 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		
	530.0	**530.0**
1A. SHARE CAPITAL SUSPENSE		
15,00,000 (Nil) 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. (Refer note 2(b),Sch.23)	150.0	–
2,33,72,280 (Nil) 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. (Refer note 2(c),Sch.23)	233.7	–
TOTAL	**383.7**	**–**

NOTE :

Of the above :

1. 78,17,118 (78,17,118) Equity Shares of Rs.10/- each were allotted as fully paid bonus shares by capitalisation of Share Premium/ General Reserve.
2. 16,50,000 (16,50,000) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Gujarat Glass Limited on amalgamation.
3. 17,73,402 (17,73,402) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Boehringer Mannheim India Limited on amalgamation.
4. 10,39,410 (10,39,410) Equity Shares of Rs.10/- each were allotted to erstwhile shareholders of Sumitra Pharmaceuticals and Chemicals Limited as per the scheme of arrangement.
5. 75,05,004 (75,05,004) Equity Shares of Rs. 10/- 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 15 Equity Shares of the company for every two warrants held on payment of Rs. 50/- in Cash per Equity Share. Out of this 9,52,644 (9,52,644) warrants were converted into 71,44,831 (71,44,831) 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. 31,50,000 (31, 50,000) Equity Shares of Rs. 10/- each were allotted to to the erstwhile Shareholders of Rhone-Poulenc India Limited on its merger with the Company.

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

		As at March 31, 2004 Rs. in Million		As at March 31, 2003 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	42.0		42.0	
Less: Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	42.0		–	
Add : Transferred as per Scheme of Arrangement (Refer note 2(c), Sch.23)	16.2		–	
		16.2		**42.0**
SHARE PREMIUM ACCOUNT				
As per last Balance Sheet	841.2		777.4	
Less: Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	681.8		–	
Less : Transferred as per Scheme of Amalgamation (Refer note 2(b), Sch.23)	159.4		–	
Add : Excess Provision in respect of Scheme of Arrangement	–		63.8	
		–		**841.2**
GENERAL RESERVE				
As per last Balance Sheet	1006.5		811.0	
Add : Consolidation adjustment	–		168.0	
Less : Transferred as per Scheme of Amalgamation (Refer note 2(b), Sch.23)	79.1		–	
Less : Impairment loss of Intangible Assets (Refer note 9, Sch.23)	83.3		–	
Less : Transferred as per Scheme of Amalgamation (Refer note 2(a), Sch.23)	565.5		–	
Add : Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	9.0		–	
Add : Transferred from Profit and Loss Account	1700.0		118.1	
Less : Adjustment for opening Deferred Tax Liabilites	–		90.6	
		1987.6		**1006.5**
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	158.9		282.6	
Less: Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	67.2		–	
Less: Transferred to Profit and Loss Account	–		215.4	
Add : Transferred from Profit and Loss Account	–		91.7	
		91.7		**158.9**
EXCHANGE RESERVE				
As per last Balance Sheet	(1.6)		14.1	
Less: Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	(13.1)		–	
Add : Created During the year	1.2		(15.7)	
		12.7		**(1.6)**
CAPITAL REDEMPTION RESERVE				
As per last Balance Sheet	131.7		131.7	
Less: Transferred as per Scheme of Arrangement (Refer note 3, Sch.23)	131.7		–	
		–		**131.7**
PROFIT & LOSS ACCOUNT				
As per annexed Profit and Loss Account		**1555.7**		**1920.9**
TOTAL		**3667.9**		**4103.6**

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

	Note	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
3. SECURED LOANS			
Cash Credit from Banks (Includes Packing Credit Loans)	1	496.0	955.7
6.9% Non Convertible Secured Debentures Redeemable at par at the end of 2nd year from the date of allotment – 28/10/02	2	100.0	500.0
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	350.0
14.5% Non Convertible Secured Debentures Redeemable at par in four equal installments commencing from the end of 4th year from the date of allotment – 16/09/99		–	250.0
13.5% Non Convertible Secured Debentures Redeemable at par in three equal installments commencing from the end of 3rd year from the date of allotment – 15/10/99		–	100.0
12% Non Convertible Secured Debentures Redeemable at the end of 5 years from the date of allotment – 10/07/2000		–	250.0
17.5% Unquoted Debentures (To be redeemed in the year 2007/2008)		–	73.8
Term Loan From Bank / Financial Institutions	3	1108.2	1821.6
Term Loan From Bank * * [ECB Loan of Rs.218.5 Million (US$ 5.0 Million) from Citibank and Rs. 218.5 Million (US$ 5.0 Million) from BNP Paribas, to be secured by way of Pari–passu on the fixed assets of the company.]		437.0	–
Term Loan from a Company		–	192.5
Finance Leases		2.0	7.2
TOTAL		**2343.2**	**4500.8**

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

Notes on Secured Loans

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

2. 6.90% Non-Convertible Secured Debentures of Rs.100.0 Million and 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 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 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 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. The term loan of Rs.334.3 Million (FCNR (B) US$ 7.0 Million) is secured by way of a mortgage in respect of the company's immoveable properties situated at company's Haemaccel plant at Mulund and Formulations plant at Pithampur.

   c. FCNR (B) Loan of Citibank of Rs 203.9 Million (US$ 4.5 Million) is secured by first and exclusive charge by way of hypothecation of Trade Marks of erstwhile Sarabhai Piramal Pharmaceuticals Private Limited.

   d. FCNR (B) Loan of Citibank of Rs. 45.2 Million (US$ 1.0 Million) and FCNR (B) Loan of Corporation Bank of Rs 54.3 Million (US$ 1.2 Million) has been secured by Hypothecation of Stocks and Book Debts of erstwhile Sarabhai Piramal Pharmaceuticals Private Limited.

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
4. UNSECURED LOANS		
Sales Tax Deferment Loans (Interest free) [Payable within a year Rs.20.2 Million (Previous year Rs. 15.0 Million)]	297.2	591.9
Fixed Deposits [Payable within a year Rs.NIL (Previous year Rs.NIL)]	0.4	0.5
12.5% Unsecured Unquoted Debentures	–	9.7
12% Medium Term Loan from ABN-AMRO Bank NV Chennai	–	4.1
10.5% Short Term Loan from ABN-AMRO Bank NV Bangalore	–	10.8
Short Term Loan from ABN-AMRO Bank NV Bangalore	–	19.6
Term Loan from Financial Institutions / Banks	731.1	1440.9
Loan from other Companies	166.7	88.8
Others	24.5	–
TOTAL	**1219.9**	**2166.3**

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

5. FIXED ASSETS

(Rs. In Million)

PARTICULARS	COST						DEPRECIATION / AMORTISATION						NET BLOCK	
	Opening as at 01/04/2003	Consolidation Adjustment**	Amalgamation*	Additions	Deductions	As at 31/03/2004 (A)	Opening as at 01/04/2003	Consolidation Adjustment**	Amalgamation*	For the Year	Deductions	As at 31/03/2004 (B)	As at 31/03/2004 (A–B)	As at 31/03/2003
Land Leasehold	17.5	(2.7)	0.3	–	–	15.1	3.0	(1.4)	–	0.2	–	1.8	13.3	14.5
Land Freehold	295.7	(97.4)	0.4	–	0.6	198.1	–	–	–	–	–	–	198.1	295.7
Building @	1349.1	(711.8)	138.0	59.8	–	835.1	189.9	(105.5)	–	27.5	–	111.9	723.2	1159.2
Plant & Machinery	6991.9	(4800.2)	625.3	489.1	231.1	3075.0	2169.3	(1502.4)	–	263.3	126.8	803.4	2271.6	4822.6
Furniture & Fixtures & Office Equipment	332.8	(87.9)	15.2	20.0	35.7	244.4	124.8	(24.9)	–	27.7	26.0	101.6	142.8	208.0
Motor Vehicle/ Transport	121.5	(33.3)	6.6	6.7	23.7	77.8	41.3	(16.9)	–	8.1	9.6	22.9	54.9	80.2
Motor Vehicle/ Lease	1.6	–	–	1.5	–	3.1	0.4	–	–	0.7	–	1.1	2.0	1.2
Brand/Know–how/ Intellectual Property Rights/Goodwill ***	1809.4	(688.2)	1093.8	20.7	99.3	2136.4	304.1	(141.2)	–	200.0	16.1	346.8	1789.6	1505.3
Grand Total	**10919.5**	**(6421.5)**	**1879.6**	**597.8**	**390.4**	**6585.0**	**2832.8**	**(1792.3)**	**–**	**527.5**	**178.5**	**1389.5**	**5195.5**	**8086.7**
Previous Year	9695.6	821.1	519.8	620.7	737.7	10919.5	2355.8	151.0	–	651.5	325.5	2832.8		
Capital Work in Progress (including Capital Advances) (Includes know–how acquired and pending for commercial production)													431.5	592.1
													5627.0	**8678.8**

* Refer notes 2(a)(b)(c), Sch.23
** Refer notes 2(a) and 3, Sch.23
@ Building includes Rs.0.1 Million (Previous Year Rs.0.1 Million) being the value of 1 Share in Co–operative Society.
*** 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 9, Sch.23

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

6. INVESTMENTS (Long Term, Non Trade)

	Nos. as at March 31, 2004	Nos. as at March 31, 2003	Face Value Rupees	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
A) Government Securities – (Unquoted)					
7 years National Saving Certificates – Rs. Nil (Rs.28350.00)				–	0.1
8 years National Saving Certificates– Rs. Nil (Rs. 2000.00)				–	–
12 years National Saving Certificates – Rs. Nil (Rs.12000.00)				–	–
B) Units (Unquoted)					
Units of Unit Trust of India – Unit 64	–	350000	10.00	–	5.7
Units of Unit Trust of India – 6.75% Tax Free US 64 Bonds	28350	–	10.00	0.3	–
C) 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	–
D) Other (Quoted)					
Shares of DFCC Bank	–	6262	LKR 10.00	–	0.1
E) Others (Unquoted)					
Wellquest Research Private Limited	5000	5000	10.00	0.1	0.1
F) Trade Investment (Quoted)					
Ambalal Sarabhai Enterprises Limited	9592653	9592653	10.00	32.1	61.6
Dalmia Cements Limited Rs. 220.00 (Rs. Nil)	80	–	10.00	–	–
G) Short Term Investment	–	–	–	–	11.8
	TOTAL			**53.0**	**79.7**
Less : Provision for diminution in value of Investment				1.0	2.1
				52.0	**77.6**

	As at March 31, 2004 Cost Rs. in Million	As at March 31, 2004 Market Value Rs. in Million	As at March 31, 2003 Cost Rs. in Million	As at March 31, 2003 Market Value Rs. in Million
1. Aggregate value of quoted investments	51.6	84.3	62.0	35.8
2. Aggregate value of unquoted investments	0.4		15.6	
TOTAL	**52.0**		**77.6**	

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

		As at March 31, 2004 Rs. in Million		As at March 31, 2003 Rs. in Million
7. INVENTORIES				
(As certified by the Management)				
Raw & Packing Materials		530.3		521.9
Work-in-progress		167.6		155.7
Finished Goods		1207.2		1348.3
Goods in Transit		–		13.4
Engineering Stores		44.8		265.0
TOTAL		**1949.9**		**2304.3**

8. SUNDRY DEBTORS				
i. Over six months				
Secured - considered good	4.2		8.9	
Unsecured - considered good	174.3		429.8	
- considered doubtful	183.4		82.1	
	361.9		520.8	
Less : Provision for doubtful debts (Includes Rs.35.3 Million transferred from SPPL on Amalgamation)	183.4	178.5	82.1	438.7
ii. Others				
Secured - considered good	49.1		11.6	
Unsecured - considered good	1588.4		1844.4	
- considered doubtful	1.0		–	
	1638.5		1856.0	
Less : Provision for doubtful debts	1.0		–	
		1637.5		1856.0
TOTAL		**1816.0**		**2294.7**

9. CASH AND BANK BALANCES		
i. Cash and Cheques on Hand	5.6	6.0
ii. Balance with Scheduled Banks		
– Current account	186.7	206.5
– Current account in respect of Unclaimed Dividend Warrants	17.2	16.7
– Others	42.0	10.8
TOTAL	**251.5**	**240.0**

10. OTHER CURRENT ASSETS		
Interest, Rent & Claims Receivable	12.0	21.9
TOTAL	**12.0**	**21.9**

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Balance Sheet as at March 31, 2004

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
11. LOANS AND ADVANCES		
Unsecured & Considered Good unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received	563.7	1127.6
Advance to NPIL Senior Employees Stock Option Scheme	–	265.5
Advance Tax Less Provision	239.0	303.8
Share Application Money	4.5	–
Other Deposits	720.6	365.1
Balance with Customs, Port Trust and Excise Authorities on Current Account	28.3	47.7
TOTAL	**1556.1**	**2109.7**
12. CURRENT LIABILITIES		
Sundry Creditors for Capital goods, Materials & Expenses		
– Small Scale Industrial Undertakings	47.7	49.5
– Others	1525.6	1620.1
Advances from customers	36.7	27.9
Investor Education and Protection Fund Shall be Credited by		
– Unpaid Dividend	17.2	37.1
Interest Accrued But Not Due	18.2	50.3
Other Liabilities	297.2	382.2
TOTAL	**1942.6**	**2167.1**
13. PROVISIONS		
Proposed Dividend on Equity Shares	570.1	399.0
Proposed Dividend on Preference Shares	16.6	2.3
Proposed Dividend on Equity Shares – Subsidiary Companies	–	3.4
Provision for Wealth Tax less payment	3.8	1.4
Tax Payable on Proposed Dividend	75.1	51.4
Provision for Employees Retirement benefits (Includes Contingencies)	134.2	121.4
TOTAL	**799.8**	**578.9**
14. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Miscellaneous Expenditure	–	35.2
TOTAL	**–**	**35.2**

Nicholas Piramal India Limited (Consolidated)
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

	Year ended March 31, 2004 Rs. in Million	Year ended March 31, 2003 Rs. in Million
15. OTHER INCOME		
Dividend on Investments	1.5	–
Profit on sale of Assets (net)	–	75.6
Processing Charges Received	27.0	29.3
Services & Commission	27.0	86.4
Rent Received	40.4	61.4
Power generation	2.2	9.5
Gain on Prepayment of Sales Tax Deferment Loan	62.7	–
Miscellaneous Income	96.2	80.4
TOTAL	**257.0**	**342.6**
16. MATERIALS		
Raw and Packing Materials	3442.8	3223.1
Purchase of Trading Goods	2598.8	2783.3
TOTAL	**6041.6**	**6006.4**
17. STAFF COST (Net of Recoveries)		
Salaries, Wages, Bonus and Gratuity	1254.3	1135.3
Contribution to Provident and other funds	125.1	120.3
Staff Welfare	97.1	87.5
TOTAL	**1476.5**	**1343.1**
18. RESEARCH AND DEVELOPMENT EXPENSES		
R & D Expenses	287.0	156.8
Depreciation	14.8	11.7
TOTAL	**301.8**	**168.5**

Nicholas Piramal India Limited (Consolidated)
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

		Year ended March 31, 2004 Rs. in Million		Year ended March 31, 2003 Rs. in Million
19. OTHER EXPENSES (Net of Recoveries)				
Processing Charges		156.0		97.1
Stores and Spares consumed		89.5		146.4
Power, Fuel & Water Charges		319.2		595.9
Repairs and Maintenance				
Buildings	31.6		28.6	
Plant and Machinery	63.7		62.9	
Others	10.1		14.5	
		105.4		106.0
Rent				
Premises	71.1		53.4	
Other Assets	53.4		5.3	
		124.5		58.7
Rates & Taxes (includes Excise Duty)		139.3		83.7
Insurance		31.4		39.0
Travelling Expenses		441.4		399.8
Directors' Commission		24.7		19.6
Directors' Fees		0.6		0.4
Provision for Doubtful Debts		72.2		28.2
Bad Debts Written Off		–		4.6
Loss on sale of Fixed Assets (net)		5.5		–
Provision for Diminution in Value of Investments		1.0		–
Advertisement and Business Promotion Expenses		580.1		478.3
Freight		184.5		159.0
Clearing and Forwarding Expenses		230.5		212.1
Claims		177.0		162.3
Miscellaneous Expenditure written off		0.9		–
Miscellaneous expenses		683.1		728.0
TOTAL		**3366.8**		**3319.1**

Nicholas Piramal India Limited (Consolidated)
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

		Year ended March 31, 2004 Rs. in Million		Year ended March 31, 2003 Rs. in Million
20. (INCREASE) / DECREASE IN WORK - IN - PROGRESS AND FINISHED GOODS				
OPENING STOCKS :				
Work-in-progress	155.7		105.4	
Work-in-progress - Consolidation Adjustment	–		(29.4)	
Work-in-progress - On Scheme of Amalgamation	24.0		46.5	
Finished Goods	1348.3		1164.3	
Finished goods - Consolidation Adjustment	–		36.7	
Finished goods - On Scheme of Amalgamation	43.2		25.0	
		1571.2		1348.5
Stock Transferred as per Consolidation Adjustment (Refer note 2(a) and 3, Sch.23) :				
Work in Progress	54.9		–	
Finished Goods	238.7		–	
		293.6		–
CLOSING STOCKS :				
Work-in-Progress	167.6		155.7	
Finished Goods	1207.2		1348.3	
		1374.8		1504.0
(Increase) / Decrease in WIP / Finished Goods		**(97.2)**		**(155.5)**
21. INTEREST				
Interest on Fixed loan & Debentures	333.7		677.1	
Interest on Others	129.0		136.2	
		462.7		813.3
Less : Interest Received :				
(i) On term deposits with Limited Companies & others	176.5		170.6	
(ii) On Receivables and Others	49.2		28.6	
		225.7		199.2
TOTAL		**237.0**		**614.1**

Nicholas Piramal India Limited (Consolidated)
Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2004

		Year ended March 31, 2004 Rs. in Million		Year ended March 31, 2003 Rs. in Million
22. EXCEPTIONAL ITEMS				
Miscellaneous Expenditure as on 31/03/02 written off				
Voluntary Retirement Scheme	–		260.2	
Prepayment Premium	–		79.7	
		–		339.9
Voluntary Retirement Scheme		168.2		72.6
Related Expenses to Voluntary Retirement Scheme		41.2		57.0
Consultancy Charges		–		45.4
Loss on sale of Investment (net)		–		24.3
Prior period expenses		–		20.5
Deferred Revenue Expenditure Written off		–		3.1
Others (Including Contingencies)		46.7		60.1
TOTAL		**256.1**		**622.9**

Nicholas Piramal India Limited (Consolidated)
Schedules forming part of the Financial Statement for the year ended March 31, 2004

23. 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 which are not in the nature of joint ventures, 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 Subsidiary Companies which are in the nature of joint ventures and Joint Venture Companies have been consolidated as per Accounting Standard – AS 27 "Financial Reporting of Interests in Joint Ventures".

3. 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.

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

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 31st March, 2004
NPIL Laboratories and Diagnostics Private Limited (Formerly Drs. Tribedi & Roy Diagnostic Laboratories 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%
Allergan India Private Limited	India	49%
Boots Piramal Healthcare Private Limited	India	49%
NPIL Pharma Inc. (NPI)	U.S.A.	100%

c. Gujarat Glass Private Limited (GGPL) and its subsidiaries namely Ceylon Glass Company Limited (CGCL) and GG USA Inc. ceased to be subsidiaries of the Company effective 1st July 2003 pursuant to a Scheme of Arrangement approved by the Hon'ble High Courts at Gujarat and Bombay. (Refer note no.3)

d. A new subsidiary NPIL Pharma Inc. (NPI) was incorporated during the year on 20th February, 2004 in the United States of America. 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 CGCL, PI and NPI, the summarized revenue and expense transactions at the year 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 year end. The resultant translation exchange, gain / loss has been disclosed as Exchange Reserves in Reserves and Surplus.

iv) Other Significant Accounting Policies

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

2. (a) During the year, the Company acquired the balance 50% stake in Sarabhai Piramal Pharmaceuticals Private Limited (SPPL), a 50:50 Joint Venture between the Company and Ambalal Sarabhai Enterprise, for a consideration of Rs.674.0 Million. Consequently SPPL became a wholly owned subsidiary of the

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

Company. Further, in terms of the Scheme of Amalgamation between the Company and SPPL which was sanctioned by the Hon'ble High Court at Bombay on 8th April, 2004, all the assets, liabilities and reserves of SPPL were transferred and vested in the Company w.e.f. the appointed date - 1st April, 2003. The shortfall of the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the value of investments cancelled as stated above has been debited against the General Reserve as per the Scheme of Amalgamation. Further, the opening net assets of SPPL already included in these consolidated financial statements have also been adjusted against the General Reserve.

In terms of the Accounting Standard 14 on Accounting of Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method' wherein all assets, liabilities and reserves except for Quoted Investments which have been recorded at the market value prevailing on the appointed date and Miscellaneous Expenditure recorded at zero value, of SPPL were recorded at their carrying amounts on the date of Amalgamation.

(b) In terms of the Scheme of Amalgamation between the Company and Canere Actives and Fine Chemicals Private Limited (Canere) which was sanctioned by the Hon'ble High Court at Bombay on 15th April, 2004, all the assets and liabilities of Canere were transferred and vested in the Company w.e.f. the appointed date – 1st October 2003 in consideration of the issue of 15,00,000 5% Cumulative Redeemable Preference Shares of Rs.100 each credited as fully paid up to the shareholders of Canere in the ratio of 3 Preference Shares for every 20 Equity Shares held by them. The shortfall of Rs.238.5 Million for the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the face value of Preference Shares to be issued and allotted by the Company as stated above, has been debited to the Share Premium Account to the extent of Rs.159.4 Million and the balance Rs.79.1 Million to General Reserve as per the Scheme of Amalgamation.

In terms of the Accounting Standard 14 on Accounting of Amalgamation issued by the Institute of Chartered Accountants of India, the Scheme of Amalgamation is accounted under 'Purchase Method' wherein all assets and liabilities of Canere were recorded at their carrying amounts on the date of Amalgamation.

(c) In terms of the Scheme of Arrangement (duly modified) between The Morarjee Goculdas Spg. & Wvg. Co. Ltd. (Morarjee) and Canere which was sanctioned by the Hon'ble High Court at Bombay on 15th April, 2004 the Tools Division of Morarjee was demerged into the Company as successor of Canere in consideration of the issue of 23,372,280 5% Cumulative Redeemable Preference Shares of Rs.10 each credited as fully paid up to the shareholders of Morarjee in the ratio of 6 Preference Shares for every 5 Equity Shares held by them. Consequent to the demerger, all the assets and liabilities of the Tools Division were transferred and vested in the Company on a going concern basis w.e.f. the appointed date – 1st December 2003 and recorded at the book values as on the appointed date. The excess of the aggregate value of the assets over the aggregate value of the liabilities taken over by the Company, after adjusting for the face value of Preference Shares to be issued and allotted by the Company as stated above, has been credited to Capital Reserve as per the Scheme of Arrangement.

(d) For all the above three sanctions, certified copy of the orders are yet to be received by the Company. However, the Company has been legally advised that merger can be effected from the appointed date as per the respective Scheme.

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

3. The Scheme of Arrangement to transfer, effective 1st July 2003, the investment in Gujarat Glass Private Limited (GGPL) (representing 53.76 % of its equity share capital) to a separate entity (Kojam Fininvest Limited) and allot the shares of the said entity to the shareholders of the Company free of cost in proportion to their holding in the Company was approved by the shareholders at the meeting held on 19th September, 2003 and respective High Courts at Gujarat and Bombay by orders dated 20th November, 2003 and 4th December, 2003 respectively. Consequently, investments in GGPL have been transferred to Kojam Fininvest Limited and the carrying cost of such investments together with the expenses incurred in carrying out and implementing the scheme and matters incidental thereto amounting to Rs.99.4 Million have been debited to the Share Premium Account as per the Scheme of Arrangement. Further the net assets of GGPL amounting to Rs.801.2 Million as on the effective date of the Scheme have been adjusted against the respective reserves. The operations of GGPL upto the effective date of the Scheme have been consolidated in these financial statements on a line-by-line basis.

		As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
4.	Estimated amount of outstanding contracts/ Capital commitment.	362.8	111.8
5.	Contingent Liability:		
	a. Demand dated June 5, 1984 the Government had 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 unsustainable.	6.1	6.1
	b. Guarantees issued to Government authorities and limited companies including performance guarantees.	51.9	480.6
	c. Appeals filed in respect of disputed demands :		
	Income tax	667.3	618.7
	Sales tax	33.2	21.6
	Central Excise	101.0	132.9
	Labour Matters	3.6	1.9
	Stamp Duty	40.5	20.3
	d. Bills Discounted	119.2	81.9

6. The results for the year ended 31st March, 2004 are not strictly comparable with that of the previous year as the current year's figures include :

   a) Operations of Global Bulk Drugs and Fine Chemicals Private Limited (GBDFCL) for the full year as against operations of three months (1st January 2003 to 31st March 2003) included in the previous year consequent to its merger with the Company effective 1st January 2003.

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

b) Complete operations of SPPL consequent to its merger with the Company effective 1st April 2003 against 50 % operations consolidated in the previous year.

c) Operations of Canere for the period 1st October, 2003 to 31st March, 2004 consequent to its merger with the Company effective 1st October 2003.

d) Operations of the Tools division for the period 1st December, 2003 to 31st March, 2004 consequent to its demerger from Morarjee into the Company effective 1st December 2003; and

e) Operations of GGPL for three months (1st April, 2003 to 30th June, 2003) against operations of the full year included in the previous year consequent to its divestment effective 30th June, 2003.

7. During the year, the subsidiaries of the Company NPIL-Dr. Phadke Pathology Laboratory & Infertility Center Private Limited has acquired Center for Genetic Health Care and Clinitech Computerize Laboratory and NPIL Laboratories and Diagnostics Private Limited has acquired Amolak X-Ray and Diagnostics Center.

8. Write Back of provision to Share Premium Account in the year ended 31st March, 2003 represents write back of provision of Rs.63.8 Million made and debited to Share Premium Account in the year ended 31st March 2002 in terms of the Scheme of Arrangement between the Company and Rhone-Poulenc India Limited, Super Pharma Limited and NPIL Fininvest Private Limited sanctioned by the Order of the Hon'ble Bombay High Court.

9. As a matter of prudence and consequent on earlier implementation of the Accounting Standard – AS 28 "Impairment of Assets", Rs.83.3 Million representing impairment loss on certain brands / Intellectual Property Rights (IPR) have been adjusted during the year against the General Reserve as on 1st April, 2003. Accordingly no amortisation for the above brands / intellectual property rights have been made during the year.

10. Current Tax for the year is arrived at after setting off the accumulated losses / unabsorbed depreciation of Rs.1613.0 Million of the entities referred to in Note 2 (b) and (c) available to the Company under section 72A of the Income Tax Act, 1961

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

Rs. in Million

	As at 31st March, 2004		As at 31st March, 2003	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
On account of timing differences				
– Depreciation	–	560.5	96.0	854.6
– VRS	114.9	–	86.3	–
– Others	68.2	–	65.7	2.3
Total	**183.1**	**560.5**	**248.0**	**856.9**

Deferred tax written back of Rs.170.9 Million includes deferred tax liability in respect of SPPL, which has been merged with the company effective 1st April, 2003.

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

12 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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue										
– External	13233.3	11219.2	667.6	2626.6	228.3	169.2	–	–	14129.2	14015.0
– Inter-Segment	497.7	10.1	19.7	112.9	–	–	(517.4)	(123.0)	–	–
Total Revenue	13731.0	11229.3	687.3	2739.5	228.3	169.2	(517.4)	(123.0)	14129.2	14015.0
Result										
Profit Before Interest, Depreciation and Tax	2769.6	2423.8	202.5	844.6	67.6	62.1	–	2.9	3039.7	3333.4
Less : Interest (Net)	162.3	251.3	66.2	358.2	8.5	4.6	–	–	237.0	614.1
Less : Depreciation	408.0	280.1	94.3	355.0	10.4	3.0	–	–	512.7	638.1
Profit Before Tax and Exceptional Items	2199.3	1892.4	42.0	131.4	48.7	54.5	–	2.9	2290.0	2081.2
Less : Exceptional Items	217.0	602.9	39.1	–	–	20.0	–	–	256.1	622.9
Profit Before Tax	1982.3	1289.5	2.9	131.4	48.7	34.5	–	2.9	2033.9	1458.3
Less : Provision for Tax	6.1	171.0	15.0	81.2	16.2	13.2	–	–	37.3	265.4
Profit After Tax	1976.2	1118.5	(12.1)*	50.2	32.5	21.3	–	2.9	1996.6	1192.9
Other Information										
Segment Assets	11148.0	9681.6	–	6210.5	392.7	218.6	(93.1)	(100.5)	11447.6	16010.2
Segment Liabilities	6747.7	6868.0	–	4287.4	211.4	117.8	(93.1)	103.4	6866.0	11376.6
Capital Expenditure	521.7	310.2	31.1	276.2	45.0	34.3	–	–	597.8	620.7
Depreciation	408.0	280.1	94.3	355.0	10.4	3.0	–	–	512.7	638.1
Non Cash Expenses Other than Depreciation	77.2	359.1	2.9	16.5	0.1	0.2	–	–	80.2	375.8

* The amount was arrived at after deducting VRS amount of Rs.39.1 Million incurred during the first quarter and fully charged off in the same quarter.

12 b. Geographical Segment

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

13. Related party disclosures, as required by Accounting Standard - AS 18 "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India are given below:

A. Controlling Companies

– 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.)

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

B. Associate Companies
- The Morarjee Goculdas Spg. & Wvg. Co. Limited
- Morarjee Castiglioni (India) Limited
- Piramal Healthcare Private Limited
- Piramal Enterprises Limited
- Piramal Holdings Limited
- Thundercloud Technologies (India) Private Limited
- Piramyd Retail and Merchandising Private Limited
- The Swastik Safe Deposits and Investments Limited

C. Key Management Personnel
Mr. Ajay G. Piramal
Dr. Swati A. Piramal
Mrs. Urvi A. Piramal
Mr. Vijay Shah
Mr. N. Santhanam
Mr. Harsh Piramal
Dr. Somesh Sharma
Mr. J. C. Saigal

Details of Transactions are as below:

Rs. in Million

	Associates		Key Management Personnel		Total	
	2004	2003	**2004**	2003	**2004**	2003
Purchase of Goods	0.1	0.2	–	–	0.1	0.2
Sale of Goods	0.9	0.3	–	–	0.9	0.3
Purchase of Fixed Assets	6.8	20.4	–	–	6.8	20.4
Sale of Fixed Assets	0.3	130.4	–	–	0.3	130.4
Rendering of Services	0.5	2.0	–	–	0.5	2.0
Receiving of Services	77.9	51.3	–	–	77.9	51.3
Rent Paid	25.6	48.9	–	–	25.6	48.9
Rent Received	–	0.1	–	–	–	0.1
Management Contracts including for Deputation of Employees – Services rendered	0.7	1.6	–	–	0.7	1.6
Management Contracts including for Deputation of Employees – Services received.	0.7	–	–	–	0.7	–
Remuneration	–	–	68.4	49.6	68.4	49.6
Others-Payments	–	125.0	–	–	–	125.0
Others-Receipts	–	144.0	–	–	–	144.0
Outstanding Balances						
– Payables	8.9	4.0	–	–	8.9	4.0
– Receivables	0.3	127.8	–	–	0.3	127.8

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

14. 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.

15. 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 had filed a counter claim of Rs.382.6 Million on the Contractor. No award has yet been made by the Arbitration panel.

16. The Company's significant leasing arrangements are mainly in respect of residential / office premises and motor vehicles (operating leases). The aggregate lease rentals payable on these leasing arrangements are charged as rent under "Other Expenses" in Schedule 19.

These leasing arrangements are for a period not exceeding 5 years and are in most cases renewable by mutual consent, on mutually agreeable terms. The Company has placed a refundable deposit of Rs.382.5 Million (Rs.277.7 Million) in respect of these leasing arrangements. Future lease rentals payable in respect of assets on lease:

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Payable :		
Not Later than one year	68.0	11.4
Later than one year but not later than five years	149.4	39.8
Later than five years	–	–

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

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
a) Total Minimum Lease Rentals Payable	2.8	9.3
b) Future Interest included in (a) above	0.5	2.1
c) Present value of Minimum Lease Rentals (a-b)	2.3	7.2

Lease Rentals Payable:

	As at March 31, 2004 Rs. in Million	As at March 31, 2003 Rs. in Million
Not Later than one year	0.9	1.2
Later than one year but not later than five years	1.9	5.0
Later than five years	–	3.1

Nicholas Piramal India Limited (Consolidated)

Schedule 23 (Contd.)

17. 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, 2004	For the year ended March 31, 2003
1.	Profit after tax and before exceptional items (Rs. Million)	2252.7	1789.8
2.	Exceptional items (Rs. Million)	256.1	622.9
3.	Profit after tax and before minority interest (Rs. Million)	1996.6	1166.9
4.	Minority Interest (Rs. Million)	–	11.7
5.	Preference dividend and distribution tax thereon (Rs. Million)	18.7	2.6
6.	Profit attributable to Equity shareholders of the Company (Rs. Million)	1977.9	1152.6
7.	Number of shares (nos.)	38003201	38003201
8.	EPS before exceptional items (Net of Tax) (Rs.)	58.8	40.7
9.	EPS (Rs.)	52.1	30.3
10.	Face value per share (Rs.)	10.0	10.0

18. The Previous Year's figures have been re-grouped, wherever necessary.

Signatures to Schedules 1 to 23

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
(Membership No. F-9554)
Mumbai, April 22, 2004

Ajay G Piramal	Chairman	**R A Shah**	Director
C M Hattangdi	Director	**Vijay Shah**	Director - Chief Operating Officer
Rajesh Khanna	Director		
Y H Malegam	Director	**M R Shroff**	Director
Dr. Swati A Piramal	Director - Strategic Alliances & Communications	**N Vaghul**	Director
		S Venkitaramanan	Director
Urvi A Piramal	Director	**N Santhanam**	Chief Financial Officer
Deepak Satwalekar	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, 2004, 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 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 10, 2004

Reconciliation of Significant Differences in Shareholders' Equity between Indian Generally Accepted Accounting Principles ("Indian GAAP") and United States Generally Accepted Accounting Principles ("US GAAP")

Nicholas Piramal India Limited (Consolidated)

Reconciliation of Shareholders' Equity

	Notes	Shareholders' Equity at March 31, 2004 Rs. Mio	Shareholders' Equity at March 31, 2004 US $ Mio*
Shareholders' equity as per Indian GAAP		**4048**	**93**
US GAAP adjustments			
Consolidation	1	(414)	(10)
Fixed Assets & Intangibles	2	3659	84
Employee benefits	3	(92)	(2)
Proposed dividend	4	644	15
Voluntary Retirement Scheme Costs & Other expenses	5	(65)	(1)
Deferred Taxes	6	(630)	(15)
Equity method of accounting	7	(11)	–
Research & Development Expenses	9	(43)	(1)
Total US GAAP adjustments		**3048**	**70**
Shareholders' equity as per US GAAP		**7096**	**163**

* Exchange rate used for conversion of Rupees into Dollars is Rs. 43.40 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")

Nicholas Piramal India Limited (Consolidated)

Reconciliation of Net income

	Notes	Net Income for the year ended March 31, 2004 Rs. Mio	Net Income for the year ended March 31, 2004 US $ Mio*
Net income as per Indian GAAP		**1997**	**46**
US GAAP adjustments			
Fixed Assets & Intangibles	2	48	1
Employee benefits	3	(117)	(3)
Voluntary Retirement Scheme Costs & Other expenses	5	10	–
Deferred Taxes	6	(592)	(14)
Equity method of accounting	7	17	–
Preference Dividend	8	(19)	–
Research & Development Expenses	9	(43)	(1)
Discontinued Operations	10	31	1
Extraordinary Gains	11	767	18
Total US GAAP adjustments		**102**	**2**
Net income as per US GAAP		**2099**	**48**

* Exchange rate used for conversion of Rupees into Dollars is Rs. 43.40 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")

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, 2004, 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 and share capital suspense relating to preference shares pending allotment.

1 Consolidation

Under US GAAP, companies are required to consolidate all entities in which they have, directly or indirectly, a controlling financial interest, except where there is significant doubt concerning the parent's ability to control the subsidiary. Accordingly, 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 brands, other fixed assets and accounting of goodwill/ negative goodwill arising from business combinations and the related depreciation and amortization effects. Goodwill is amortized only till the year ended 31 March 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 capitalization of foreign exchange gains or losses, pre-operative expenses and capitalization 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 capitalized under Indian GAAP are expensed under US GAAP. Certain pre-operative expenses are to be expensed under US GAAP, while these are capitalized in Indian GAAP. Interest is capitalized on the revised cost basis under US GAAP. 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 been 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 for leave encashment primarily on actuarial basis.

Further, for US GAAP, gratuity benefit expenses have been accounted on the basis of actuarial valuation. Amortization provisions of US GAAP accounting and certain other differences lead to reconciliation item between Indian GAAP and US GAAP.

4 Proposed dividend

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

5 Voluntary Retirement Scheme Costs and Other Expenses

During the current year, the Company has written off significant amounts of deferred expenses such as voluntary retirement scheme costs, in the income statement prepared under Indian GAAP. Under US GAAP, such costs have been expensed in earlier years, and accordingly a gain results in the net income in the Reconciliation statement.

Certain other miscellaneous US GAAP adjustments, such as sample stock write off, etc., have been included in this line of the Reconciliation statement.

6 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.

7 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.

8 Preference dividend

Dividend on preference shares are treated as borrowing costs under US GAAP, while the same is treated as an appropriation under Indian GAAP.

9 Research & Development Expenses

Payments made for research and development activity which have no alternative future use are expensed under US GAAP.

10 Discontinued Operations

The difference in this line item arises due to a different disposal date being determined under US GAAP. Accordingly, the results of the discontinued operation are reckoned for a different period. Under US GAAP, the disposal is accounted as a distribution of retained earnings.

11 Extraordinary Gain

Under US GAAP, negative goodwill arising out of business combinations is accounted as an extraordinary gain.