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Chairman's Letter

Dear Shareholders,

First of all let me share with you in very brief the highlights of our performance in the year we just completed as per our current Indian Accounting Standards and also the Consolidated Accounts prepared as per US GAAP.

NPIL Stand-Alone Profit & Loss Account

NPIL Stand-alone	**Current Year 1999-2000**	Previous Year 1998-1999	**% Growth**
Sales (Rs. Crores)	**486.5**	430.0	**13**
Profit After Tax(Rs. Crores)	**56.9**	45.3	**26**
EVA (Rs. Crores)	**23.9**	14.9	**60.4**

NPIL Consolidated Profit & Loss Account (In consonance with US GAAP)

NPIL Consolidated	**Current Year 1999-2000**	Previous Year 1998-1999	**% Growth**
Net Sales (Rs.Crores) (Net of Excise Duty & Sales Tax)	**624.7**	516.1	**21**
Net Income from continuing operations (Rs. Crores)	**42.5**	30.1	**41**

It has been another good year for us – no matter whether you look at the Indian or the US GAAP accounting. You will find a detailed discussion of our performance under Management Discussion.

I want to take this opportunity to share with you a few of my thoughts on the future strategies of your Company in the rapidly changing business environment.

Mergers & Acquisitions

Our first strategy was to use Mergers & Acquisitions to attain critical mass. Having acquired Nicholas Laboratories Ltd. in 1988, Roche Products Ltd in 1993, Boehringer Mannheim Ltd. in 1996, and creating access to new product pipeline of our partners from whom we acquired their business in India. In 1997 we resorted to a three-way merger under Nicholas Piramal India Limited to gain considerably by creating one large company under a single management with the obvious other benefits of mergers. Careful consideration was given to rationalising operations, integrating cultures, developing a world class-manufacturing base. The strongest marketing / distribution infrastructure in the Indian healthcare market was created via ten or more focused field forces and a streamlined supply chain with 2000+ stockists. NPIL today, is a clear leader in M&A capability within Indian healthcare. This was later supplemented by key strategic alliances / joint ventures e.g. Scholl Piramal 1994, Allergan 1995, Sarabhai Piramal 1997, Reckitt 1998, Solumiks Piramal 1998, Boots 1999, Charak Piramal 1999.

In future also, we will continue to seek out synergistic & win-win acquisitions / partnerships in the domestic as well as international markets.

However, the greatest single advantage of achieving critical mass in my opinion was our new ability to invest in serious and sustainable Discovery Research and Development of patentable new products. Let me share with you why I think this is so important to the future growth of your company.

The Emerging Business Environment

While our quantum growth : **29** times increase in Sales and **73** times increase in Profits (on stand alone basis) over the last **12** years after our acquisition of Nicholas is a good testimony to the strategy we adopted in our formative phase, we cannot rest on our oars now. The business environment has changed dramatically after India joined the WTO, has accepted TRIPS and changed our Patent Law to fall in line to give full 20 years patent protection to product patents filed after January 1995. (India did not allow Product patents since 1970, only process patents were allowed in pharmaceuticals). The full impact of this change will be felt perhaps after the next 7 to 10 years when the products patented after 1995 will start coming in the Indian market and the Indian Industry will be unable to copy these freely as was possible in the past.

I am greatly pleased to assure you that thanks to the strategy we adopted, our company has secured a good access to the new product pipeline of our strategic alliance and JV partners, particularly Roche & Boehringer Mannheim, Reckitt Benckiser and Boots. This was possible entirely because we had anticipated these changes and implemented strategies proactively to secure these relationships. We have therefore secured a major advantage for our company as compared to others in India for several years ahead.

Research & Development – the New Thrust Area

However, in the long term the real sustainable strength of any Pharmaceutical Company under the new business environment can come only from its own Research efforts and the stable of patented and effective new products it can generate continuously at low costs.

To achieve this strength, your Board of Directors have agreed to make significant additional investments in Discovery Research.

- When it comes to R&D, we in India have a special advantage over the rest of the world. It is said that, *"in the new knowledge millenium the centre of focus of knowledge production will shift to India. Why is this so ? First and foremost it pertains to our cost advantage. The intellectual capital available per dollar in India is the highest in the world".* ***(Source : Presidential Address by Dr. R. A. Mashelkar at the 87th Indian Science Congress, Pune, 3rd January 2000).*** It is estimated that in India, we could undertake Discovery Research at one-third the international costs and in addition compress the time taken between discovery and bringing it to market – a very substantial benefit. Every year gained for marketing before the 20 years span of patent protection expires can mean in the International market millions of dollars in profits.

- We were able to crystallise our strategy of Discovery Research with the acquisition of the Hoechst Basic Research Facility in 1998 – just one year after we achieved "critical mass" through the 3-way merger of NPIL, PHL & BMIL. The facility is now re-named "Quest Institute of Life Sciences (QILS)" This has been revitalized using a "business driven R&D" approach and strengthened with an additional orientation to natural / herbal products, where India globally has a unique niche because of its rich bio-diversity and our ancient heritage in Ayurveda. The net result is the high probability of a strong new herbal product pipeline with a choice of several products to choose from for launch in the 2000-2003 period because of the relatively short time needed for product registration for herbal products. The investment led R&D strategy also creates the platform to go global for herbal as well as modern medicine.

Our research strategy has several elements

Discovery research is conducted at the Quest Institute of Life Sciences (QILS) and has focused on five therapeutic areas and in three of these we have already identified patentable leads. While determining the success probability of these still needs a couple of years more work, we have in the meantime 'licensed- in' two additional NCEs from other sources. The first NCE to be launched in India will be the anti-malarial bulaquine – Aablaquin* in the second half of 2000. Bulaquin has been the fruit of efforts by leading CDRI Scientists in discovery and clinical trials and development Scientists from **your company taking it from the laboratory to a commercial product.** Bulaquin is to be jointly developed by CDRI & **your company.** The special feature of Aablaquin* is its ability to get rid of the malaria parasites from the liver and thereby prevent relapse of malaria so common with other treatments. In addition to launching the product exclusively in India, we also have the exclusive rights to market or license the product globally. A second NCE is in advanced clinical trials for cancer and AIDS. The company will be actively looking for international partners to help take its NCEs including Aablaquin* global.

The Herbal research will also be conducted at the QILS facility supplemented by a key alliance with CDRI (The Central Drug & Research Institute, Lucknow). There are more than a dozen projects in this Herbal pipeline, with a good chance of about four new products being launched in the next 18 to 24 months.

Our programme on chemical synthesis / chiral chemistry primarily uses reverse engineering with 12+ projects on hand, some of which are directed towards the global generics market. This developmental work is undertaken both at QILS and at our Thane facility.

A new Clinical Research organisation (CRO) will come on stream mid year at Parel, Mumbai with access to both Pathlab and Genomic capability situated within the same hospital complex **"Wellsprings".**

I am also pleased to inform you that, we plan to start genomic research. The objective is to 'harvest' the knowledge of the International Human Genome Research project which is in the public domain i.e. NOT PATENT PROTECTED and can be accessed by any one. We will use this knowledge for the development of genetic healthcare products which can be patent protected. We plan to look for alliances in this area. We in India seem to have certain special advantages when it comes to discovery and development of products to treat diseases triggered by genetic problems. The Genome research facility in Mumbai will be located in the Wellspring Centre. I believe, we are the first Indian company to invest in development of genetic healthcare products.

Strategic Alliances

NPIL sees Strategic Alliances as vital to access technology and improve learning. The initial thrust was on marketing alliances, notably in the OTC segment, where the company is now a market leader thanks to its alliances with Reckitt Benckiser and Boots. The alliance with Allergan in eye care has also achieved leadership in that segment. Our entry into herbal / natural products category is being facilitated by learnings we are acquiring from our Charak and Solumiks JV partnerships. The emphasis will increasingly be on Research Partnerships in the future, which should help NPIL go global.

International Expansion

NPIL already has a cost effective world class manufacturing base which we propose to leverage to manufacture and market products to our alliance partners and other multinationals in the international market.

As regards the product line for international expansion, NPIL has three options ….

A range of branded generics

The new Herbal / Naturals line

The NCEs in its own pipeline

The early geographic targets include Africa, South East Asia, Europe and the USA in that or with entry facilitated by strategic investments, alliances and / or small acquisitions to speed up take off.

Pursue World Class Operating Model

The company is committed to developing a world class organisation, with our top 101 Managers/Leaders identified, being trained and empowered to perform via a decentralised SBU (Strategic Business Unit) structure with clearly defined objectives emphasising entrepreneurship. A performance culture is being developed by modifying compensation packages to key employees to be in tune with their profit performance. Long term performance is also supported via a successfully implemented ESOP programme.

The company also periodically looks at cost compression, using 'benchmarking',and a 'zero-base' approach. The next initiative in this regard is scheduled for the second half of the year. The comprehensive 'IT' strategy review currently underway will also look at the impact of the Internet on various aspects of the business, with a view to using IT power for most cost effective and empowering solutions.

Listing on the American Stock Exchange (ADS)

As you are aware, our shareholders have already approved our proposal in the Extra Ordinary General Meeting of shareholders held on 29th April, 2000. We propose to go through with this at an opportune time. In the meantime, let me share with you how the company proposes to use the money as and when it is raised abroad. A part of the money will be used for funding capital expenditure related to R&D projects. Some will be used for potential acquisitions in India or outside and partly for repaying debt & reducing our interest burden.

With all the proactive strategies we are implementing and the focused entrepreneurial way in which our empowered Strategic Business Unit Chiefs are focusing on our 'here-and-now' business operations in our reorganised structure gives me every confidence that we will continue to give excellent results year on year while also getting ready to face the evolving market place with strength and confidence.

Chairman
Nicholas Piramal India Ltd.

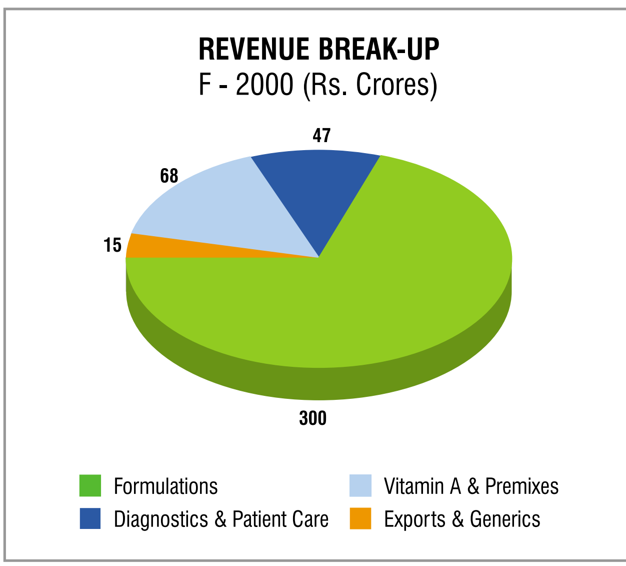
Management Review 1999-2000

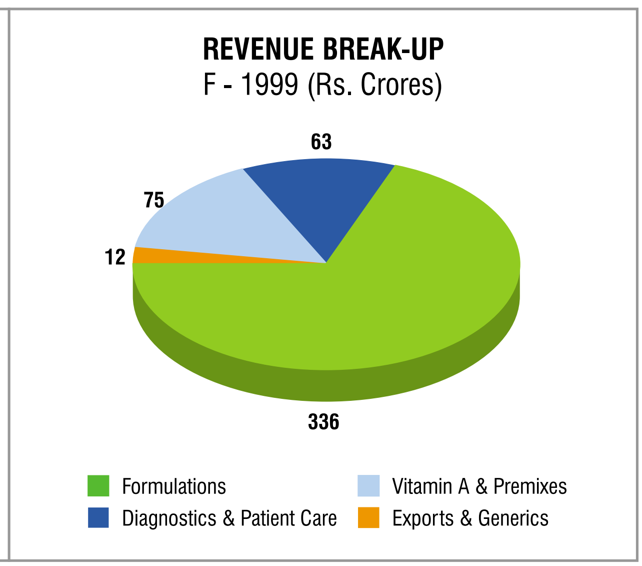
For NPIL the year 1999-2000 was a year of satisfactory performance. Company's revenue grew by 13% over prior year and profit after tax showed a much higher growth of 26%. We continued to focus on the strategies identified earlier, to attain leadership position in Healthcare sector, i.e.

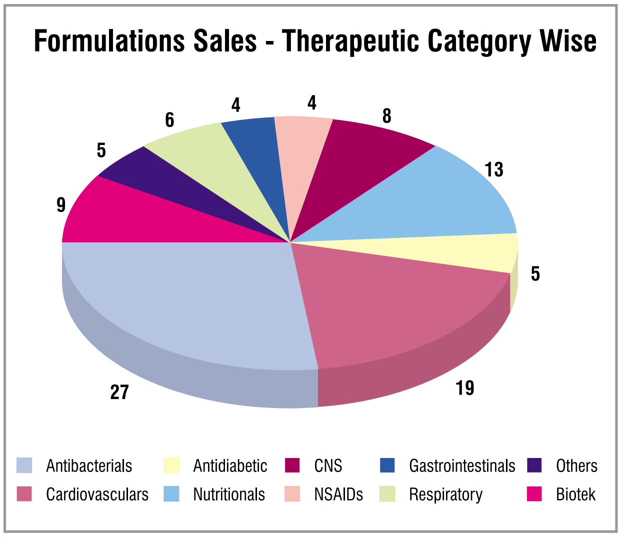
- Increased emphasis on introduction of new products.
- Investment in Research & Development with emphasis on new drug discovery
- Growth from alliances.
- Create world class manufacturing, marketing and distribution infrastructure and become the preferred partner for alliances & licensing for manufacturing & marketing patented new products of our interest.

Revenue Break-up

	F-2000 (Rs.Crores)	F-1999 (Rs.Crores)	Growth %
1. Formulations	**336**	300	12
2. Diagnostics & Patient Care	**63**	47	32
3. Vitamin A & Premixes	**75**	68	11
4. Exports & Generics	**12**	15	(18)
Total	**486**	**430**	**13**







The Pharma Industry growth for the 12 month period ended March 31, 2000 as reported by ORG & IMS separately is estimated at 9.8% and 10% respectively –much below the normal 15+% growth reported over the last few years. The large anti-bacterial plus systemic antibiotics segment of the market which together constitutes an estimated 26.1% of the total pharma market according to IMS and 20% according to ORG reports is shown to have grown by a mere 5% as compared to 15%, 27% and 20% in the previous 3 years, i.e. 1996, 1997 and 1998 respectively. ***(Source : ORG Dec'1996, 1997, 1998).***

The current year's lower industry growth in all probability is a combination of two factors– lack of epidemics or in other words a a healthier year and possibly a cutback in inventory by the wholesale and retail trade. This was obviously a vagary of nature last year. And, one can expect the market to return to normalcy in the years ahead i.e. 15%+ growth in line with the historical long term trend.

In our own case these two therapeutic categories i.e. systemic antibiotics + anti-bacterials, with about 9 brands constitute nearly 27% of our Formulations turnover and we actually suffered a decline of nearly 6% in this category. However, our strategy of focussing on new product launches in chronic disease areas such as cardiovasculars, anti-diabetic & biotek category products has helped us to overcome the decline in the systemic antibiotic/anti-bacterial category and yet show a better overall growth than the Industry average thanks to the excellent growth in Biotek +89%*, Cardiovascular +50%*, Anti-diabetics +39%* Respiratory +23%*, etc. ***(* Company data)***

We are increasingly focusing on Neutraceuticals as a strategy for growth. In addition to the success of two brands of antioxidants we had launched (Exerge* and AO 7*) we are focusing launch of further brands targeted at niche segments.

In the systemic antibiotic/anti-bacterial category, we have already taken corrective action by launching a newer generation anti-biotic brand Omnatax* (Cefotaxime) acquired from Hoechst Marion Roussel (HMR) and in addition are proposing to launch Zidime* (Ceftazidime) acquired from Eli Lilly. The major impact of both these strategies we hope will be visible in our operations for the next year.

Apart from Omnatax* which was launched in January 2000, the Company introduced the following new products during the year :

Haemaccel* (January 2000)	—	a plasma expander acquired from HMR.
Rejoint* (January 2000)	—	We consolidated in the NSAID (Non-Steroidal Anti- Inflammatory Drugs) segment by the launch of REJOINT* - an outstanding product for osteo-arthritis patients with significantly improved benefits. This product has had outstanding sales since its launch in January 2000.
Glimer*	—	Glimepiride which is being co-marketed with HMR and will (October 1999) complement the company's strong franchise in the anti-diabetic market.

The full year impact of the above four brands launched during the year is expected to be substantial in the next year's operations and results.

The Company has lined up 'Aablaquin*', a new generation anti-malarial with a special ability to prevent relapse of malaria by acting on the malaria parasites hiding in the liver and seven more products for marketing in 2000-2001 and by the year end, the Company expects the new products launched from 1999 onwards to contribute in excess of 20% of the total formulation sales as against 6% in 1999-2000.

Biotek

The Biotek business which focuses on critical care segments such as oncology, AIDS, transplants, etc. is already a leader in several of its product categories. During the year Cellcept* – an immuno suppressant from Roche mainly used by kidney transplant patients was launched in July 1999 and was very well received by the medical profession.

Diagnostics & Patient Care

In spite of severe competition, this business achieved an impressive growth of 32%. The division plans to continue the strategy of introducing newer models of instruments for both pathlabs as well as patient self monitoring and reagents for newer parameters coupled with aggressive marketing through doctor meets, patient awareness programmes and diabetic detection camps.

The Company has also plans to start manufacture of certain products both for the local market as well as exports.

Vitamin A & Premixes

During the year, the company was granted a 28% price increase by the government on Vitamin A manufactured by the company after a gap of 5 years. This has helped the division to improve its profitability. The annualised impact of this on the profitability of the Vitamin A Division would be approx. Rs.4.0 crores. During the year, the Company also introduced many new premixes tailored to meet customer specific requirements. Vigorous efforts on de-bottlenecking and yield improvements have potentially resulted in the installed capability of the plant being raised to produce a much larger quantity of Vitamin A from the basic stage.

Manufacturing

The expansion of Mahad unit with a new tablet manufacturing line and a dedicated facility for hormone formulation manufacturing was completed during the year. The company's formulation manufacturing plants at Pithampur and Mahad are state-of-the-art plants matching international quality standards.

Plant	Quality Certification
1. Pithampur	1. ISO 9001, ISO 14001, WHO GMP, MCC of South Africa for tablets and Capsules. 2. MCC of South Africa for ophthalmics under progress. 3. MCA U.K. under progress.
2. Mahad	1. ISO 9001, ISO 14001and WHO GMP. 2. MCA U.K. under progress.
3. Deonar	1. ISO 9001.

The Company is in negotiations with alliance partners and various multinationals for long term arrangements for manufacturing their products either for sale in India or for export. The Company expects to become the preferred partner for multinational companies for licensing, manufacturing and marketing of patented products. The Company was successful in downsizing the high cost manufacturing operations in Deonar with 91 workmen accepting Voluntary Retirement and 67 workmen transferred to other units out of total work force of 262. The Company has already obtained shareholders' approval for disposing the Deonar unit including sale of the plant as a going concern. The Company's Employees Union has approached the Hon'ble Industrial Court seeking stay on the transfers but the same has not been granted. The matter is subjudice and the orders of the court are expected in July 2000.

Divestments to focus on our core business

As mentioned in our previous year's Annual Report, our strategy is to concentrate on our core business and divest our other businesses and activities which are capital intensive and as a precursor to this we had also mentioned the spinning off of Gujarat Glass Limited and Global Bulk Drugs & Fine Chemicals Ltd. as separate entities.

As a follow up action of this policy decision, we have divested entire equity held by the company in Global Bulk Drugs & Fine Chemicals Ltd. However, Gujarat Glass Limited will continue to remain a subsidiary company of NPIL with 53.76 % equity.

New Acquisitions & Alliances

During the year, the company invested Rs.2.25 crores towards 90% equity in the new Joint Venture – Drs. Tribedi & Roy Diagnostics Laboratories Ltd. a reputed Pathlab in Calcutta. It is a part of our strategy to establish a state-of-the-art network of pathological laboratories in the metro and mini-metro cities in the country interconnected to each other via satellites and making each one of them a centre of excellence in the high tech advanced diagnostics area.

The company also increased its involvement in Ayurvedic segment by investing Rs.4.27 crores in the 50:50 Joint Venture with the Charak Group to market Ayurvedic OTC products.

Advantages of Acquisitions; Joint Ventures; Strategic Alliances

All the three strategies of acquisitions, joint ventures and strategic alliances have been of significant importance in the quantum growth of your company over the last 12 years, since we acquired Nicholas Laboratories India Limited in 1988.

The acquisitions such as Roche Products Ltd and Boehringer Mannheim India Ltd., etc. are merged with NPIL and therefore the results of these merged companies are fully reflected in the results of NPIL. However, the performance of our Joint Venture companies and the return on these investments your company earns, are not fully visible because the Indian Accounting Standards do not as yet require Consolidation of Accounts. Whereas in most advanced countries it is a mandated requirement as it gives full transparency to where a company has invested money and what returns it earns.

In the new globalised business environment where FIIs are freely welcomed, India too is expected to make changes in line with International Accounting Standards and we expect Consolidation of Accounts to be mandated sooner than later.

During the year, the Company has voluntarily prepared financial statements as per US GAAP. Under this consolidated statements, the **Net Sales** (net of excise duty and sales tax) for the year 1999-2000 showed a **growth of 21%** over that of the previous year, whereas '**Net Income from continuing Operations'** showed a **growth of 41%** over the previous year. US GAAP Accounts are reproduced later in the Annual Report.

JOINT VENTURES :

Operations and Performance

Sarabhai Piramal Pharmaceuticals Limited (SPPL) – After the successful turnaround of the SG division acquired from Ambalal Sarabhai Enterprises (ASE), the company acquired the remaining pharma brands and marketing rights from ASE at a consideration of Rs.85 crores. These initiatives are expected to result in significant growth in both sales and profits in future years.

During the year, SPPL achieved sales of Rs.121.8 crores (Growth of 107% over previous year) and a Profit After Tax (PAT) of Rs.7.98 crores (Growth of 110% over previous year). The organic sales growth of SPPL i.e. excluding the new brands acquired from ASE was 23%.

Reckitt Piramal Ltd. – The Joint Venture with Reckitt Benckiser has achieved the leadership position in the OTC category of business. Reckitt Piramal Limited achieved sales of Rs.271.2 crores (Growth of 27% over previous year) and PAT of Rs.3.58 crores which was impacted by higher advertising spend due to severe competitions from new entrants.

Boots Piramal Healthcare Limited – In the first full year of operations, Boots Piramal Healthcare Limited achieved Sales of Rs.29.99 crores and PAT of Rs.3.94 crores.

The following table highlights the company's investments in each of the Joint Ventures and the return on investment by each one of them :

Return on Investments in Joint Ventures

Company's Name	Sum Invested (Rs. Crores)	NPIL Share of PAT F-2000 (Rs. Crores)	Return (%)	Remarks
Reckitt Piramal	4.0	1.4	**36**	
Boots Piramal	2.5	1.8	**72**	
Allergan	3.9	0.5	**13**	
Sarabhai Piramal	22.5	4.0	**24**	Annualised
Solumiks Piramal	3.2	(0.1)		Start-up
Charak Piramal	4.3	(1.1)		Start-up
Scholl Piramal	2.0	(0.1)		

The return in case of Solumiks Piramal and Charak Piramal is a minor loss mainly because they are in their 'Start-up' phase and we are confident that this will be turned around in a short period. In the case of Scholl Piramal, we are discussing with our partners various alternative strategies as the current level of volume is below the break-even level.

FINANCIAL HIGHLIGHTS : INDIAN ACCOUNTS

Income Statement

Rs. Crores

	Year ended March 31, 2000	Year ended March 31, 1999
Income		
Sales	**486.5**	430.0
% Growth	**13.0%**	
Other Operating Income	**18.2**	18.8
PBIDT Before R & D Exp.	**93.4**	**77.7**
% to Sales	**19.2%**	18.1%
R & D Expenses	**8.6**	3.4
PBIDT After R & D Exp.	**84.7**	74.2
% to Sales	**17.4%**	17.3%
Interest (net)	**11.2**	14.5
Depreciation	**10.6**	8.9
Profit Before Tax	**62.9**	50.8
% to Sales	**12.9%**	11.8%
Taxes	**6.0**	5.5
Profit After Taxes	**56.9**	**45.3**
% to Sales	**12.0%**	11.0%
% Growth	**26.0%**	

Sales

Sales during the current year registered a growth of 13% over the previous year. Detailed analysis of sales are explained earlier in this report.

Other Income

Dividend Income increased from Rs.2.08 crores in 1998-99 to Rs.7.82 crores in 1999-2000 mainly on account of income flowing from joint ventures after the initial start-up period. Total Other Income showed a marginal decline of 3% on account of decline in Service Income.

Profit before Interest, Depreciation and Tax (PBIDT)

PBIDT margins before charging R&D expenses of Rs.8.6 crores (previous year Rs.3.4 crores) increased from 18.1% previous year to 19.2%. The margin improvement was achieved through a combination of :

– Controlled marketing and promotional expenditure.

– Better product mix.

– Downsizing of Deonar operations.

– Use of Field force infrastructure by joint ventures.

– Reduced toll manufacturing.

Interest

Interest cost declined by 23% to Rs.11.2 crores in 1999-2000 (previous year Rs.14.5 crores) mainly on account of sustained efforts to reduce the cost of borrowings and better working capital management. Average interest cost during the year was 10.4% compared to 12.8% in the previous year.

Balance Sheet

Rs.Crores

Particulars	As at March 31, 2000	As at March 31, 1999
Liabilities		
Share Capital	**35**	28
Reserves & Surplus	**336**	281
Loan Funds	**109**	116
Total Liabilities	**480**	425
Assets		
Net Fixed Assets	**214**	165
Investments	**98**	91
Net Working Capital	**168**	169
Total Assets	**480**	425

Share Capital

During the year 71,44,681 Equity Shares were issued upon conversion of 952624 warrants resulting in increase in share capital by Rs.7.14 crores and share premium by Rs.28.58 crores. The remaining 9556 warrants were cancelled.

Loan Funds

Other than the Sales Tax Deferment loans which are tax free, there was a reduction in loan funds by Rs.14.93 crores.

Fixed Assets

Total capital expenditure during the year was Rs.62 crores. Major items of capital expenditure were on account of-acquisition of brands (Rs.27 crores), expansion of manufacturing facilities at Mahad (Rs.9 crores) and acquisition of Haemaccel* manufacturing facilities from HMR (Rs.13 crores).

Investments

The increase in investments were mainly on account of additional investment in Sarabhai Piramal Pharmaceuticals Limited (Rs.10 crores), Charak Piramal Healthcare Limited (Rs.4.27 crores) and Drs. Tribedi & Roy Diagnostics Laboratories Limited (Rs.2.25 crores).

During the year, the Equity in Global Bulk Drugs & Fine Chemicals was divested in line with our strategy of focusing on core businesses. There was also partial liquidation of investment in Unit –64 and Master Shares.

Net Working Capital

Despite increase in sales by 13%, net working capital remained steady at the same levels as that of last year.

Return on Capital Employed (ROCE)

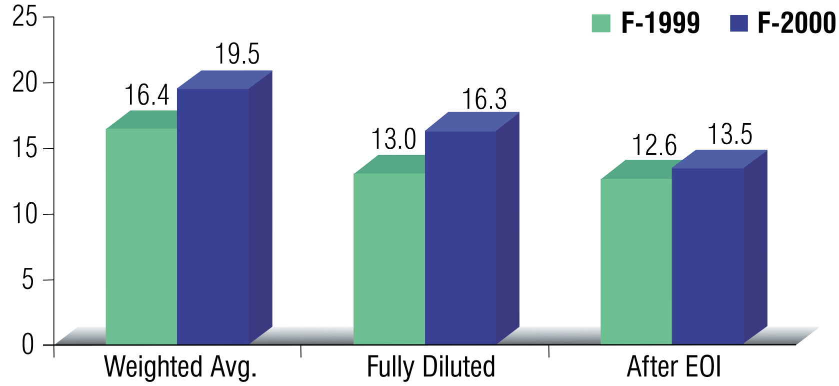
Rs. Crores

	F - 2000	F - 99
Net Fixed Assets (Wt. Avg.)	**164**	139
Net Curent Assets (Avg.)	**101**	102
Capital Employed	**265**	241
PBIT (excluding Div)	**69.2**	63.7
ROCE (%)	**26.1%**	26.5%

Note : PBIT is excluding dividend and interest income and accordingly Average Net Current Asset excludes investments and interest bearing loans.

The return on capital employed (ROCE) remained steady during the year. This was despite R&D expenditure of Rs.8.6 crores and capital investment in R&D which are expected to generate income in the years to come.

Earnings per Share



Earnings per share after Extraordinary Items is impacted by Voluntary Retirement at Deonar Plant.

Economic Value Added (EVA)

Rs. Crores

		F - 2000	F - 99
PAT for the year		**56.9**	45.3
Add : Interest (net to tax)		**6.9**	9.4
NOPAT	(1)	**63.8**	54.7
Average Capital Employed	(2)	**265.0**	241.0
Gearing		**23.0%**	27.0%
Average Rate of Interest		**10.4%**	12.8%
Cost of Debt : (post tax)		**6.4%**	8.3%
Cost of Equity			
Long Term Govt. Bond Yields		**10.3%**	12.3%
Market Risk		**9.0%**	9.0%
Cost of Beta Variant (Source : CRISIL)		**0.8**	0.8
Cost of Equity		**17.6%**	19.5%
WACC	(3)	**15.0%**	16.5%
Cost of Capital	(2 x 3 = 4)	**39.8**	39.8
EVA (1-4)		**23.9**	14.9

Economic Value Added (EVA) increased to Rs.23.9 crores from Rs.14.9 crores in 1998-99.

Proposed Actions for the Financial Year 2000 - 2001

- We will further sharpen our focus on the identified eight therapeutic categories for growth through aggressive new product launches. The field force have been further reorganized into different divisions to enable them to focus on the relevant specialty doctors. Each therapeutic category is being treated as strategic business unit with targets for sales and profits achievements.

- We plan to increase significantly the use of web and internet to improve communication with field force and to reduce our response time to market / customer requirements. We also plan to add punch to our product launches by using techniques such as web castings, live chat shows, etc.

- In addition to the conversion cost reduction due to various proactive measures taken, the Company is actively focusing on various areas of cost reduction and profit improvement opportunities. We have already given an assignment to Anderson Consulting to come up with recommendations for profit improvement.

- We hope to make a rapid and significant progress on some of the high growth opportunities we have identified in the healthcare sector such as pathlabs, bio-vedics (natural and herbal products) and exports.

In conclusion, we are looking forward to significantly improved operations and results in the years ahead.

Corporate Governance

Corporate Governance refers to the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation . Good Corporate Governance results in long term shareholder value and enhances interest of other stake holders. Corporate Governance brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholder value. Nicholas Piramal India Limited (NPIL) was one of the few companies who had voluntarily benchmarked its Corporate Governance practices with the best practices in the industry . Last year we had disclosed our practices benchmarked against the recommendations of Confederation of Indian Industry. The Shri Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999 and the same was accepted by SEBI in December 1999. The recommendations are mandatory for certain classes of companies from Fiscal Year 2001onwards. Though not applicable for the current financial year, the Compliance Report of the Company vis-à-vis the recommendations is presented below :

1. The Board should have an optimum combination of executive and non-executive directors and at least 50% of the Board should comprise of non-executive directors. Further, at least one-third of the Board should comprise of independent directors where the Chairman is non-executive and at least half of the Board should be independent in case of an Executive Chairman.

   NPIL's Board consist of majority of non-executive / independent directors, many of whom are acknowledged as leading professionals in their respective field. The Board comprises of five executive directors, two non-executive directors and eight independent directors. The constitution of the Board is given below :

Director	***Executive/Non-executive/ Independent[(1)]***	***Number of outside directorship[(2)] held***
Ajay G. Piramal	*Chairman, Executive*	*20*
G.P. Goenka	*Independent*	*16*
C.M. Hattangdi	*Non-executive*	*6*
Y.H. Malegam	*Independent*	*16*
Dalip Pathak	*Independent*	*16*
Dr. Francis J. Pinto	*Executive, CEO*	*12*
Dr. Swati A. Piramal	*Executive, Chief Scientific Officer*	*10*
Urvi A. Piramal	*Non-Executive*	*10*
M.S Gupta (appointed on 23/5/2000)	*Executive, Chief Financial Officer*	*4*
J.C. Saigal (Retired on 2/5/2000)	*Executive*	*4*
R.A. Shah	*Independent*	*30*
Vijay Shah	*Executive, Chief Operating Officer*	*4*
M.R. Shroff	*Independent*	*15*
B.K. Taparia	*Independent*	*5*
N. Vaghul	*Independent*	*16*
S. Venkitaramanan	*Independent*	*10*

(1) *An Independent Director is a director who apart from receiving directors remuneration do 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 excludes directorships held in Private Limited companies, including privately held investment companies.*

2. A qualified and independent "Audit Committee" should be set up by the Board of the Company. The Audit Committee should have minimum three members all being non-executive directors with majority being independent and with at least one director having financial and accounting knowledge.

   – Chairman of the committee should be an independent Director.

   – The Audit Committee should meet at least thrice a year with one meeting held before finalisation of accounts and one necessarily every six months.

   The Company has complied with all the above recommendations. The Company has set up an Audit Committee in 1997. The constitution of the Committee is as follows :

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

Four meetings were held during the year one of which was before finalisation of accounts.

3. The Board should set up a "Remuneration Committee" to determine on their behalf and on behalf of the shareholders with agreed terms of reference the Company's policy on specific remuneration packages for Executive Directors, including pension rights and any compensation payment.

The Remuneration Committee was constituted in 1997. As on date the members of the Committee are :

Mr. Ajay G. Piramal	*Chairman*	*Executive Director*
Mr. N. Vaghul	*Member*	*Independent Director*
Mr. R. A. Shah	*Member*	*Independent Director*
Mr. Dalip Pathak	*Member*	*Independent Director*

4. The Corporate Governance Section of the Annual Report should make disclosures on remuneration paid to Directors in all forms including salary, benefits, bonuses, stock options, pension and other fixed as well as performance linked incentives.

   Details of remuneration paid to Directors are given below :

Director	*Relationship with other directors*	*Business relationship with NPIL, if any*	*Loans and advances from NPIL*	*Remuneration paid during 1999-2000 (All figures in rupees)*			
				Sitting fees	*Salary & perquisites*	*Commission*	*Total*
Ajay G. Piramal	*Husband of Dr. Swati A. Piramal; brother in law of Urvi A. Piramal*	*Promoter*	*Nil*	*Nil*	*22,87,955*	*25,00,000*	*47,87,955*
G. P. Goenka	*None*	*None*	*Nil*	*2,000*	*Nil*	*Nil*	*2,000*
C. M. Hattangdi (1)	*None*	*Ex-Managing Director*	*Nil*	*16,000*	*Nil*	*Nil*	*16,000*
Y. H. Malegam	*None*	*None*	*Nil*	*12,000*	*Nil*	*1,25,000*	*1,37,000*
Dalip Pathak	*None*	*Strategic investor*	*Nil*	*8,000*	*Nil*	*1,00,000*	*1,08,000*
Dr. Francis J. Pinto	*None*	*CEO*	*Nil*	*Nil*	*41,28,998*	*Nil*	*41,28,998*
Dr. Swati A. Piramal	*Wife of Ajay G. Piramal*	*Chief Scientific Officer; promoter's family*	*Nil*	*Nil*	*16,96,200*	*9,00,000*	*25,96,200*

continued...

Director	Relationship with other directors	Business relationship with NPIL, if any	Loans and advances from NPIL	Remuneration paid during 1999-2000 (All figures in rupees)			
				Sitting fees	Salary & perquisites	Commission	Total
Urvi A. Piramal	*Sister in law of Ajay G. Piramal*	*Promoter's family*	*Nil*	*14,000*	*Nil*	*3,75,000*	*3,89,000*
J. C. Saigal.	*None*	*President – Mfg. and Vitamins & Fine Chemicals*	*Nil*	*N.A.*	*15,21,066*	*Nil*	*15,21,066*
R.A. Shah	*None*	*Crawford Bailey & Co the company's solicitors*	*Nil*	*6,000*	*Nil*	*1,25,000*	*1,31,000*
Vijay Shah	*None*	*Chief Operating Officer*	*Nil*	*Nil*	*20,18,147*	*9,00,000*	*29,18,147*
M. R. Shroff	*None*	*None*	*Nil*	*12,000*	*Nil*	*1,00,000*	*1,12,000*
B. K. Taparia	*None*	*None*	*Nil*	*2,000*	*Nil*	*Nil*	*2,000*
N. Vaghul	*None*	*None*	*Nil*	*6,000*	*Nil*	*1,00,000*	*1,06,000*
S. Venkitaramanan	*None*	*None*	*Nil*	*10,000*	*Nil*	*1,25,000*	*1,35,000*

5. The Board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings and all information recommended by the SEBI Committee should be placed at the Board.

   *The Board of the company met **8** times during the last year. The company placed before the Board the annual operating plans and budgets and performance of various units/divisions from time to time.*

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

Director	***Attendance***	
	Board Meeting	*AGM*
Ajay G. Piramal	*8*	✓
G. P. Goenka	*1*	
C. M. Hattangdi	*8*	✓
Y. H. Malegam	*6*	✓
Dalip Pathak	*4*	
Dr. Francis J. Pinto	*7*	✓
Dr. Swati A. Piramal	*7*	✓
Urvi A. Piramal	*7*	✓
J. C. Saigal(1)	*6*	✓
M. S. Gupta(2)	*N.A*	*N.A.*
R. A. Shah	*3*	
Vijay Shah	*7*	✓
M. R. Shroff	*6*	
B. K. Taparia	*1*	
N. Vaghul	*3*	
S. Venkitaramanan	*5*	✓

(1) Mr. J.C. Saigal retired on 2nd May 2000

(2) Mr Gupta was appointed as a Director on 23rd May 2000

6. No Director should be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore, it should be a mandatory annual requirement for every director to inform the Company about the committee positions he occupies in other companies and changes.

   Though the Company has complied with this requirement, information regarding membership in committees will be sought in a formal manner from current year onwards.

7. As a part of the disclosure related to management, in addition to the Director's Report, Management's Discussion and Analysis should form part of the Annual report to the shareholders.

   The company has been publishing Management's Discussion and Analysis Report in the Annual Report to the shareholders since financial year ended 31st March, 1997. The Management's Discussion and Analysis Report for the year ended 31st March, 2000 is published separately in this Annual Report.

8. Disclosures to be made to the Board by the management relating to all material, financial and commercial transactions, where they have personal interests, that may have a potential conflict with interests of the Company at large. These include dealing in shares, commercial dealings with bodies, which have shareholding of management and their relatives, etc.

   No transaction of material nature is entered into by the Company with Promoters, Directors or Management, their subsidiaries or relatives, etc. that may have a potential conflict with interests of the Company. The register of contracts containing the transactions in which the Directors are interested, is placed before the Board regularly.

9. While appointing a new director or re-appointing an existing director, the Company should provide a brief resume, expertise in specific functional area and names of companies, in which the person also holds the directorship and the membership of Committees of the Board.

   Relevant details forms part of the Notes and the explanatory statement to the Notice of the Annual General Meeting.

10. All company related information like quarterly results, presentation made by companies to analysts may be put on company's web-site or may be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its web-site.

    The Company makes a presentation to investors and equity analysts following announcements of quarterly/half-yearly results. A copy of the Annual Report is made available on the web-site of the company www.nicholaspiramal.com. The company also proposes to make available quarterly results on the web-site from this financial year onwards .

11. The Board should set up a committee under the chairmanship of a non-executive / independent director to specifically look into the shareholder issues including share transfer and redressal of complaints.

    Will be implemented in the current year.

12. To expedite the process of share transfers, the Board should delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority should attend to share transfer formalities at least once in a fortnight.

    The trading of equity shares of the company is now mandatory in the dematerialised form. To expedite the 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

    Share transfers / transmissions approved by the Committee are placed at the Board Meeting from time to time. Details of complaints received, number of shares transferred during the last year as well as average time taken for effecting these transfers are highlighted in the "Shareholder Information" section of the Annual Report.

13. There should be a separate section on Corporate Governance in the Annual Report, with details on the level of compliance by the company. Non-compliance of any mandatory recommendation with reasons thereof and the extent to which the non-mandatory recommendations have been adopted should be specifically highlighted.

    The Company has voluntarily introduced a section on Corporate Governance in its Annual Report since 1998-99.

14. The Company should arrange to obtain a certificate from the Auditors of the Company regarding compliance of mandatory recommendations and annexe these recommendations with the Directors report and also forward the same to the Stock Exchange .

    The Company will follow this recommendation from current financial year onwards.

15. The half yearly declaration of financial performance including summary of the significant events in last six months, should be sent to each household of shareholders.

    The Company proposes to send half yearly performance update to individual shareholders from current financial year onwards.

Shareholder Information

1. Annual General Meeting

- Date and Time — 9th August, 2000 at 3.30 P.M.
- Venue — Yashwantrao Chavan Pratisthan, Opposite Mantralaya, Mumbai 400 020

2. Financial Calender

Financial reporting for

- Quarter ending June 30, 2000 — End of July 2000
- Half year ending September 30, 2000 — End of October 2000
- For the quarter ending December 31, 2000 — End of January 2001
- For the year ending March 31, 2001 — Middle of May 2001
- Annual General Meeting for the year ended March 31, 2001 — End of July 2001

3. Dates of book closure

1st August 2000 to 9th August 2000

4. Dividend Payment Date

Interim Dividend (paid on 25th April 2000) declared as final Dividend.

5. Registered office

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

6. Listing on stock exchanges at

Bombay Stock Exchange, National Stock Exchange, Ahmedabad Stock Exchange

7. Reuters code

NICH. BO

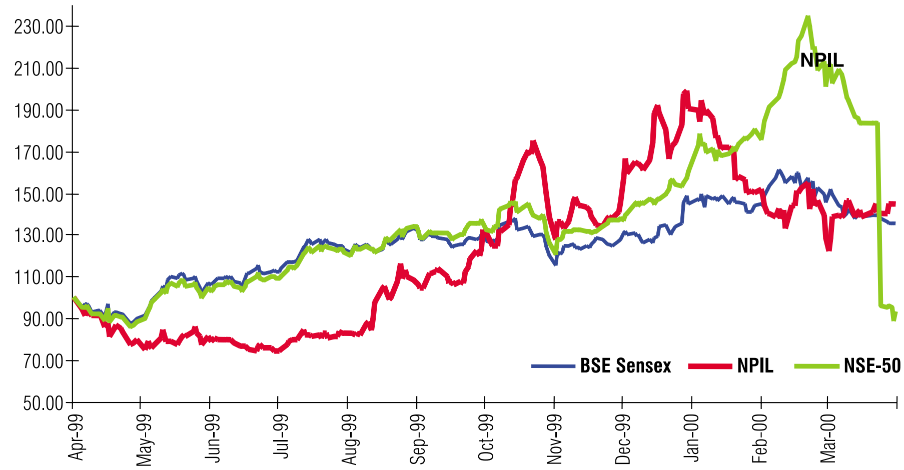
8. Bloomberg code

NPIN

9. Stock Market Data

	BSE			NSE		
	High	Low	Monthly volume	High	Low	Monthly volume
April-1999	422.00	302.50	447608	419.90	301.00	148450
May-1999	357.00	289.85	545077	362.00	301.10	335500
June-1999	335.00	295.00	254121	337.50	298.50	175000
July-1999	352.00	303.65	771036	355.00	304.65	428050
August-1999	488.00	332.00	1413817	490.00	330.00	708800
September-1999	543.80	415.00	904894	547.40	415.00	366900
October-1999	774.25	492.60	968979	785.00	471.00	661400
November-1999	650.00	481.00	357633	658.00	481.10	293150
December-1999	810.00	556.55	571933	830.00	587.00	301800
January-2000	815.00	611.00	435312	835.00	610.00	110892
February-2000	666.00	530.00	309026	665.80	512.90	109750
March-2000	623.00	435.95	437244	611.05	448.00	124099

10. Stock Performance Indexed



11. Registrars and transfer agents	Nashik Office Processing Unit	Amtrac Management Services Ltd. Plot No.101/102, MIDC, Satpur, Nasik 422007 Tel.: (0253)-354032, 350741 Fax : (0253)-351126 E-Mail : amtrac@bom3.vsnl.net.in
12.	Mumbai Office Administrative Office	Amtrac Management Services Ltd. Morarjee Mills Compound, Administrative Building, Dr. Ambedkar Road, Parel, Mumbai - 400 012 Tel : 4105685, 4130021 Fax No: 4134802 E-Mail : vidula@bom3.vsnl.net.in

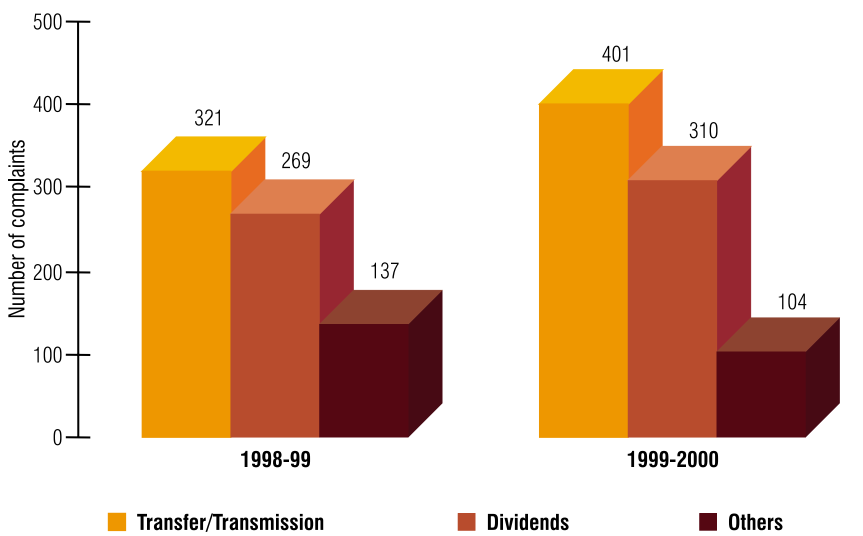
13. Share transfer system

- All shares have been transferred and returned in ***21*** days from the date of receipt, so long as the documents have been clear in all respects.
- The Share Transfer Committee meets ***once a week.***

14. Investor Relations

- The chart below shows the nature of complaints by shareholders during 1998-99 and 1999-2000. All complaints received from shareholders have been cleared within the financial year.

  The complaints are generally replied to within 10 days from their lodgments with the company



- Legal proceedings on share transfer issues

  There are 13 cases in the Court relating to the transfer of shares of the Company involving 1940 equity shares. Although such suits are between the investors, the company is made a party to suits by the concerned plaintiffs. In none of the cases, any liability is likely to devolve on the company.

15. Distribution of shareholding as at 31st March, 2000

Slab of shareholdings	Shareholders	%	Amount in Rs.	%
0 - 5000	69,461	99.82	4,40,93,600	12.65
5001 - 10000	34	0.05	24,99,330	0.72
10001 - 20000	14	0.02	18,72,550	0.54
20001 - 30000	5	0.01	13,93,800	0.40
30001 - 40000	15	0.02	55,07,880	1.58
40001 - 50000	5	0.01	23,15,370	0.66
50001 - 100000	15	0.02	1,13,37,320	3.25
Above 100000	37	0.05	27,95,10,660	80.20
Total	**69,586**	**100.00**	**34,85,30,510**	**100.00**

According to categories of shareholders as on 31st March, 2000

Categories	Number of shares	Amount in Rs.	%
Promoters, directors, relatives and associated companies	1,83,76,363	18,37,63,630	52.72
Employees Stock Option Trust	7,62,478	76,24,780	2.19
Financial institutions	26,49,905	2,64,99,050	7.60
Mutual funds	1,19,191	11,91,910	0.34
Banks	11,268	1,12,680	0.03
Foreign institutional investors	26,15,595	2,61,55,950	7.50
Overseas corporate bodies	2,545	25,450	0.01
Non-domestic companies	45,14,121	4,51,41,210	12.95
Non-resident Indians	38,999	3,89,990	0.11
Other bodies corporate	10,29,126	1,02,91,260	2.95
Public	47,33,460	4,73,34,600	13.58
Total	**3,48,53,051**	**34,85,30,510**	**100.00**

16. Dematerialisation of shares

As on 31 March 2000, 1,51,67,917 shares (43.52% of NPIL's total number of shares) is in dematerialised form as compared to 5,081,213 shares (18.3%) as on 31st March 1999. At present, NPIL's shares are compulsorily tradable in dematerialised form from 17th January, 2000, as per the notification issued by the Securities and Exchange Board of India (SEBI).

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

The only public funds obtained in the last three years have been through fixed deposits. The cumulative position of such fixed deposits are:

- As at 31 March 1998 Rs.140.63 lakhs
- As at 31 March 1999 Rs.363.69 lakhs
- As at 31 March 2000 Rs.330.08 lakhs

18. Investor correspondence

V. C. Vadodaria
Nicholas Piramal India Limited
Administrative Building
Morarjee Mills Compound
Dr. Ambedkar Road, Parel
Mumbai 400012
Tel : 91-22- 4130021
Fax : 91-22- 4115694

The Board Of Directors

Ajay G. Piramal, Chairman
G. P. Goenka
C. M. Hattangdi
Y. H. Malegam
Dalip Pathak
Dr. Francis J. Pinto, Chief Executive Officer
Dr. Swati A. Piramal, Chief Scientific Officer
Urvi A. Piramal
R. A. Shah
Vijay Shah, Chief Operating Officer
M. R. Shroff
B. K. Taparia
N. Vaghul
S. Venkitaramanan
J. C. Saigal, President – Manufacturing & VFCD (retired on 2nd May, 2000)
M. S. Gupta, Chief Financial Officer (Appointed on 23rd May, 2000)

Auditors

Price Waterhouse, Mumbai

Solicitors

Crawford Bayley & Co.

Bankers

Allahabad Bank
Bank of America
Bank of Baroda
Citibank N.A.
Credit Lyonnais
Deutsche Bank
Oriental Bank of Commerce
State Bank of Hyderabad
The Hongkong & Shanghai Banking Corporation Limited

Registered Office

100, Centrepoint
Dr. Ambedkar Road
Parel, Mumbai 400 012

Share Transfer Agent

Amtrac Management Services Ltd.
Plot No.101/102, MIDC,
Satpur, Nasik 422007

Notice

NOTICE is hereby given that the 53rd 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 Wednesday, the **9th August, 2000** at **3.30 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, 2000 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Ms. Urvi A. Piramal, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. M.R. Shroff, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Y.H. Malegam, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in place of Mr. Dalip Pathak, who retires by rotation and is eligible for re-appointment.
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. Mr. Mahesh S. Gupta - Director

   To consider and if thought fit, to pass, with our without modification(s) the following resolution as an Ordinary resolution

   "RESOLVED THAT pursuant to the provisions of Section 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 any re-enactment thereof for the time being in force, the members do hereby approve the appointment of Mr. Mahesh S.Gupta as Director (in wholetime employment designated as Chief Financial Officer of the Company) for a period of 3 (three) years with effect from 23rd May,2000, upon the terms and conditions including payment of remuneration, perquisites and benefits payable as under, with a liberty and powers to the Board of Directors (including its Committee appointed for the purpose) to grant increments and to alter and vary from time to time, the amount and type of perquisites payable to Mr. Mahesh S.Gupta, within the limits specified in Schedule XIII of the Act or any amendments thereto.

   I. Salary : Rs. 1,50,000/- per month with an authority to the Board to increase from time to time in accordance with Schedule XIII of the Act, as may be amended from time to time.

   II. Commission : Subject to the ceilings stipulated in sections 198 and 309 of the Act, such percentage of the net profits of the Company or such quantum as may be determined by the Board of Directors

   III. In addition to salary and commission Mr. Mahesh S.Gupta will be entitled to the perquisites and allowances like accommodation or house rent allowance in lieu thereof, including 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 nature of perquisites and allowances as may be decided by the Board of Directors.

   IV. Mr. Mahesh S.Gupta shall 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 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 for use on Company's business and telephone at the residence of Mr. Mahesh S.Gupta. Mr. Mahesh S. Gupta shall be billed by the Company for personal long distance calls on telephone.

   In the event of loss or inadequacy of profits, Mr. Mahesh S.Gupta shall be entitled to receive the same remuneration, perquisites and benefits as above".

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Register of Members of the Company will remain closed from Tuesday, the **1st August, 2000** to Wednesday, the **9th August, 2000** (both days inclusive).
3. 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.
4. With a view to provide protection against fraudulent encashment of dividend warrants and debenture interest warrants, shareholders/ debentureholders were requested by the Company to provide their bank account number, name and address of the Bank Branch to enable the Company to incorporate the said details on the dividend/ interest warrants. Although several shareholders/debentureholders have responded to this request, a large number have yet to provide such information, **who are once again requested in their own interest to provide the above mentioned details quoting their folio numbers to the Share Transfer Agent at their Nasik address. Members will appreciate that the Company will not be responsible for any loss arising out of fraudulent encashments of the dividend/ interest warrants**.
5. 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 as the same will be transferred to the Investor Education and Protection fund of the Central Government, pursuant to the introduction of section 205C by Companies (Amendment) Act, 1999 on the respective dates

mentioned thereagainst.

Financial Year ended	Due date of transfer
31.03.1996	01.09.2003
31.03.1997	15.12.2004
31.03.1998	02.09.2005
31.03.1999	15.09.2006

6. Pursuant to Section 205A of the Companies Act, 1956 **all unclaimed dividends upto the financial year 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 by submitting an application in prescribed Form No. II to the Registrar of Companies, Maharashtra, C/o. Fancy Corporation, Hakoba Mills Compound, Kala Chowkie, Mumbai 400 013.

7. The introduction of section 109A by the Companies (Amendment) Act, 1999 provides for **Nomination** by the shareholders/ debentureholders of the Company in the prescribed Form No. 2B. The shareholders/debentureholders are requested to avail this facility. The duly filled in and signed Form No. 2B should be sent to the Share Transfer Agents of the Company at their Nasik address.

8. Over the years, as a result of allotment of shares arising out of Mergers/Scheme of Arrangement of Gujarat Glass Limited, Sumitra Pharmaceuticals & Chemicals Limited, Boehringer Mannheim India Limited and Piramal Healthcare Limited, it is possible that the multiple folios have been created. In order to render better and efficient services, we request you **to consolidate the multiple folios** in the same names and in identical order. We strongly feel that such a step would benefit you enormously, in particularly monitoring of dividend warrants, reduction of multiple communications, reduction of allotment in odd lots/fractions, if the multiple folios are consolidated into one folio, etc. 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 Share Transfer Agents of the Company at their Nasik address.

9. **Re-appointment of Directors**

Ms. Urvi A.Piramal, Mr. M.R.Shroff, Mr. Y.H.Malegam and Mr. Dalip Pathak are retiring by rotation at the ensuing General Meeting and are eligible for re-appointment. The information/details to be provided for these Directors under the Corporate Governance Code are given below. As regards Mr. Mahesh Gupta, such information/ details are provided in the Explanatory Statement for the resolution at Item No. 8 seeking approval to his appointment and payment of remuneration to him.

(a) **Ms. Urvi Piramal** born on 19th July, 1952 is a Science graduate and has completed her Advanced Management Programme from the Harvard University, U.S.A. Ms. Piramal is on the Board of the Company since June 1988. She is a member of the Council of Ahmedabad Textile Industry's Research Association and a Co-Chairperson of Mumbai & Civic Affairs Committee of Indian Merchant's Chamber for 1999-2000. She is also on the Board of following Companies viz. : The Morarjee Goculdas Spg. & Wvg. Co. Ltd., Piramal Holdings Ltd., G. P. Electronics Ltd., Charlie Capital Svs Ltd., Sarabhai Piramal Pharmaceuticals Ltd., Piramal Holdings Ltd., and other Companies.

(b) **Mr. M.R. Shroff** born on 28th Juanuary, 1929 is a Science graduate and a Fellow member of the Institute of Cost & Management Accountants, London, Institute of Cost & Works Accountants India and the Institute of Directors, London. He has been a Consultant on Financial and Economic matters to many leading Industrial Companies for over 30 years. Mr. Shroff is the Vice-Chairman of Raymond Limited and is on the Board of the following Companies viz : Jardine Fleming India, Asset Mgt. Pvt. Ltd., J. K. Chemicals Ltd., Blue Star Ltd., and other Companies.

(c) **Mr. Y. H. Malegam** born on 24th September, 1933 is a practicing Chartered Accountant and Senior Partner of Messrs. S.B.Billimoria & Co, an eminent firm of Chartered Accountants. He joined the Board of the Company on 29th August, 1997 and is also a director of the following Companies, viz. : Bayer (India) Ltd., Cabot India Litd., Escorts Ltd., Siemens Ltd., National Stock Exchange of India Ltd., and other Companies.

(d) **Mr. Dalip Pathak** born on 28th January, 1951 is an MBA from the Wharton Scholl of the University of Pennsylvania, U.S.A. is a partner of Warburg, Pincus and Co. and is heading up the Singapore Office and is responsible for Southeast Asia. He was Chief of Mission of the International Finance Corporation for Thailand and Vietnam. He joined the Board of the Company on 28th March, 1998. He is also Director of United Software Communications Limited and Bharti Tele Ventures Limited and other Companies.

Registered Office :	By Order of the Board
100, Centrepoint	
Dr. Ambedkar Road	**V. HARIHARAN**
Parel, Mumbai 400 012.	Sr.Vice President (Finance) &
Dated : 1st June, 2000	Company Secretary

Explanatory Statement

Explanatory Statement under section 173 of the Companies Act, 1956

ITEM NO. 8

The Board of Directors of the Company at its meeting held on 23rd May,2000, has appointed Mr. Mahesh Gupta who is the Chief Financial Officer of the Company as Director subject to the approval of the members as required under Schedule XIII of the Companies Act, 1956.

Mr. Mahesh S.Gupta born on 30th July, 1956 is a qualified Chartered Accountant & Company Secretary. He has an outstanding academic record throughout; He is with Piramal Group since 1982 (except for a brief tenure for about 3 years outside the Group) and has moved through various positions while handling diverse responsibilities covering finance, accounts, taxation, secretarial etc. His core strengths are finance, treasury, accountancy, acquisition & mergers and divestitures. From joining the Piramal Group at the entry level, he has grown to the position of Chief Financial Officer of the Company and has now been inducted on the Board. He is also on the Board of the following Companies viz: Piramal Holdings Ltd., Drs. Tribedi & Roy Diagnostic Lab. Ltd., Ceylon Glass Co. Ltd., etc.

The remuneration and other terms relating to his appointment are set out in the resolution at Item No.8 seeking approval of the members to his appointment and the payment of remuneration. The Board recommends the said resolution for your approval.

This may be treated as an abstract as required under section 302 of the Companies Act,1956.

As it concerns him, Mr. Mahesh S.Gupta is deemed to be concerned or interested in this resolution.

Registered Office :	By Order of the Board
100, Centrepoint	
Dr. Ambedkar Road	**V. HARIHARAN**
Parel, Mumbai 400 012.	Sr.Vice President (Finance) &
Dated : 1st June, 2000	Company Secretary

Your Directors have pleasure in presenting the 53rd Annual Report and the Audited Accounts for the year ended 31st March, 2000.

Financial Results

(Rs. in crores)

	For the year ended 31st March, 2000	For the year ended 31st March, 1999
Total Income	504.73	448.82
Profit before Interest, Depreciation and Tax	84.73	74.25
Less : Interest	11.20	14.48
Depreciation	10.58	8.92
Profit before tax	62.95	50.85
Less : Provision for tax	6.00	5.50
Profit after tax	56.95	45.35
Add : Profit brought forward from previous year	46.96	24.30
Less: Extraordinary and prior period Items	9.97	1.37
Profit available for appropriation	93.94	68.28
Appropriation:		
General Reserve	4.70	4.40
Interim Dividend	19.01	—
Proposed Dividend	—	15.24
Tax on Dividend	2.09	1.68
Balance carried to Balance Sheet	68.14	46.96

Dividend

The Directors had declared an interim dividend of Rs.6.50 per equity share of Rs.10 each on 2,77,08,370 equity shares and Rs.1.40 per share pro-rata dividend on 71,44,681 equity shares issued during the year on conversion of warrants. The total amount of dividend of Rs.19.01 crores (previous year Rs.15.24 crores) as a percentage of net profit after tax is 33.38% as against 33.61% in the previous year. No final dividend has been recommended. The Board has decided to confirm the interim dividend as final dividend.

Increase in Share Capital

During the year ended 31st March, 2000, the Company allotted 71,44,681 shares of Rs. 10 each at a premium of Rs.40 to Warrant holders on exercising their option. This has resulted in the Paid-up Share Capital increasing by Rs.7.14 crores to Rs.34.85 crores.

Operations

Against a back drop of lacklustre overall industry growth in the pharmaceutical sector, the Company achieved a sales growth of 13%. The continued emphasis on cost control resulted in PBDIT and PBT increase by 14.1% and 23.8% respectively over the previous year.

Subsidiary Companies

Gujarat Glass Limited (GGL) ended with sales of Rs.224.46 crores which was higher by 22% over the previous year. Revenue growth in domestic market was 20% despite overall market growth being much lower. Exports grew to Rs.10.96 crores from Rs.4.08 crores in the previous year and is expected to increase significantly in the years to come.

During the year, GGL acquired 73.76% stake in Ceylon Glass Company Limited (CGCL) a leading glass manufacturing company in Sri Lanka.

In line with the company's strategy of achieving leadership status in healthcare, the company made its maiden foray in pathlab business by acquiring 90% stake in the reputed pathlab in the city of Calcutta, Drs. Tribedi & Roy Diagnostics Laboratories Ltd. (TRDL). TRDL commenced operations from 15th August, 1999 and for the period upto 31st March, 2000 achieved a turnover of Rs.4.85 crores and a PAT of Rs.1.18 crores.

Global Bulk Drugs & Fine Chemicals Limited (GBDFCL) ceased to be a subsidiary of the Company as a result of divestment by the company of the entire equity held in GBDFCL.

The audited accounts of GGL, CGCL, NPIL Fininvest Ltd., Piramal International and TRDL, the subsidiaries of the Company, along with the statement required under Section 212 of the Companies Act, 1956 are annexed.

Joint Ventures

Sarabhai Piramal Pharmaceuticals Ltd. (SPPL) further consolidated its position by increasing its market share to 1.3%. For the period ended 31st March, 2000, SPPL achieved Sales of Rs.121.80 crores (an increase of 107% over the previous year) and PAT of Rs.7.98 crores.

Reckitt Piramal Limited (RPL), a joint venture with Reckitt Benckiser of UK registered sales of Rs.271.15 crores in the Calendar year 1999 (an increase of 27% over the previous year) and PAT of Rs.3.58 crores which was adversely impacted on account of increase in advertising and promotion expenditure.

Allergan India Limited (AIL) showed impressive growth with sales rising to Rs.44.66 crores (an increase of 69.85% over the previous year) and PAT of Rs.1.01crores. AIL with a market share of 14.5% is the number two company in the ophthalmic therapeutic category.

Boots Piramal Healthcare Limited (BPHL) in the first full year of operation achieved a sales of Rs.29.99 crores and PAT of Rs.3.94 crores.

During the year, the Company invested Rs.4.27 crores for a 50% stake in Charak Piramal Healthcare Limited, a joint venture with Charak Group which is engaged in marketing OTC Ayurvedic products.

Research & Development

R&D remains a pillar of our growth strategy. Quest Institute of Life Sciences which was acquired last year from Hoechst Marion Roussel has now developed a comprehensive strategic plan inclusive of additional staffing, project prioritisation using the business driven R&D discipline. The research unit is being augmented with a new clinical research unit to be completed in the first quarter in the year 2000-01.

The Company has entered into important research alliances with Central Drug Research Institute, Lucknow for new drug discovery research and Centre for Biochemical Technology for Genomics project.

US GAAP

As a step towards better transparency and disclosure, we have provided in the Annual Report the accounts for the year ended 31st March, 1999 & 2000 prepared under the United States Generally Accepted Accounting Principles (US GAAP).

Corporate Governance

The Shri Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities and Exchange Board of India (SEBI) submitted its report in November 1999 which was accepted by SEBI in December 1999. Recommendations of the committee are mandatory for certain classes of companies effective Fiscal 2001. The Company has complied with most of the recommendations in the year 1999-2000 and the Compliance Report on the various recommendations is provided in the Annual report.

Fixed Deposits

The fixed deposits from the public and shareholders as on 31st March, 2000 were to the tune of Rs.3.30 crores. As on that date, deposits aggregating to Rs.0.48 crores remained unpaid for want of instructions from depositors.

Conservation of Energy, Technology Absorption

Conservation of energy continues to be a priority area for the Company and efforts are directed to reduce energy costs. Information required under Section 217(1)(e) of the Companies Act 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to this report.

Employees

The Directors acknowledge with thanks the contribution made by employees towards the growth of the Company and appreciate their active cooperation and support to the Management.

Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 is annexed and forms part of the Report.

Year 2000 (Y2K) related issues

The Board is pleased to inform that the Year 2000 transition was completed smoothly and, going forward, expect no material financial impact arising out of Year 2000 issues.

Directors

Mr. J. C. Saigal has retired from the Board on 2nd May,2000 being the date of expiry of his tenure as Executive Director (designated as President - Mfg & VFCD). The Board places on record its deep appreciation of the significant contribution Mr. J.C.Saigal has made since the acquisition of the Company by the Piramal Group in 1988, particularly in setting up the finest manufacturing facility at Pithampur.

Mr. Mahesh S. Gupta, Chief Financial Officer of the Company, has been inducted on the Board in the casual vacancy caused by the retirement of Mr. J.C.Saigal. Your approval to the appointment and terms of remuneration payable to Mr. Mahesh S.Gupta is sought vide resolutions set out at Item No. 8 of the accompanying Notice.

Ms. Urvi A. Piramal, Mr. M. R. Shroff, Mr. Y. H. Malegam and Mr. Dalip Pathak retire by rotation and are eligible for reappointment, which the Board recommends.

Auditors

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

Acknowledgements

The Directors thank the Medical Profession, the Trade and Consumers for the patronage of the Company's products. We are grateful to our strategic alliance and joint venture partners and also Banks, Financial Institutions and shareholders for their continued support.

By Order of the Board

Ajay G. Piramal
Chairman

Mumbai : 1st June, 2000.

Annexure to Directors' Report

Particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March, 2000

Form - A

	For the year ended 31st March, 2000	For the year ended 31st March, 1999
A. Power and Fuel Consumption		
1. Gas Electricity		
a. (i) Gas		
Unit (000M3)	—	—
Total Amount (Rs. in lakhs)	—	—
Rate/Unit (Rs.)	—	—
(ii) Electricity		
Unit (000)	**12,111.72**	11,607.00
Total Amount (Rs. in lakhs)	**540.83**	477.00
Rate/Unit (Rs.)	**4.47**	4.11
b. Own Generation from :		
(i) Diesel Generator		
Unit (000)	**1,666.27**	1,494.00
Total Amount (Rs. in lakhs)	**86.92**	66.00
Rate/Unit (Rs.)	**5.22**	4.43
(ii) Steam Turbine/Generator		
Unit (000)	—	—
Total Amount (Rs. in lakhs)	—	—
Rate/Unit (Rs.)	—	—
2. Coal		
Qty. (Tonnes)	—	—
Total Cost (Rs. in lakhs)	—	—
Cost/ Unit (Rs.)	—	—
3. Furnace Oil, LSHS & L. D. Oil		
Qty. (K. Ltrs.)	**2,264.15**	2,100.00
Total Cost (Rs. in lakhs)	**188.55**	131.55
Average/K. Ltrs. (Rs.)	**8327.64**	6,264.00
4. Other/Internal Generation		
Qty.	—	—
Total Cost	—	—
Average Rate	—	—
B. Consumption per unit of Production (Rs. In Lakhs)		
Gas	—	—
Electricity	—	—
Furnace Oil	—	—
Coal	—	—

Pharmaceuticals

The operation of pharma business 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 Quest Institute of Life Sciences (QILS) which was acquired in October 1998 from Hoechst Marion Roussel (HMR) is engaged in the discovery of new chemical entities /drugs in the following therapeutic areas :
   - Cardioprotectives
   - Antithrombotics
   - Diabetes
   - Antimycotics
   - Oncology

   QILS is also very active in herbal research and work is at an advanced stage on several indications/products.
   In the area of Dosage development tablets, ophthalmic solutions, capsules, liquid orals, topical creams and ointments, dietary supplements and nutraceuticals in various therapeutic categories were developed during the year.
   The Company has entered into important research alliances with Central Drug Research Institute, Lucknow for new drug discovery research and Centre for Biochemical Technology for Genomics project.

2. **Benefits derived as a result of the above**
Several patentable lead molecules have been identified.
Contract Research Agreements have been signed with leading companies with defined milestones and milestone payments.
Dosage forms of formulations developed were scaled upto commercial batches successfully. Sterile Cephalosporin injectables and line extensions to the existing anti-hypertensives and topical steroids were successfully launched.

3. **Future Plan of Action**
The preliminary work needed prior to filing patents for lead molecules identified is in progress. Once patented, these products will be ready for licensing-out or for in-house development.
QILS plans to expand its activities and core scientific strengths. Each project area will be strengthened with an aim to speed up lead optimization and lead-to-drug candidate time. QILS will also participate in the Genomics project, which will be jointly run by the Company and Centre for Biochemical Technology (CSIR).
In Herbal research area, it is proposed to raise the strength of the group so that rapid standardisation of various herbal products can be achieved and launch time shortened. There are also plans to introduce more herbal preparations in the market.
In formulation development, the emphasis will be on cost reduction and modification of processes with a view to reduce cycle time. The various products developed to be registered as "Generics" in advanced countries.

4. **Expenditure on R&D**

		(Rs.in lakhs)
a)	Capital	61.97
b)	Recurring	864.29
c)	Total	926.26
d)	Total R&D expenditure as a percentage of total turnover	1.90%

Technology Absorption, Adaption and Innovation

No new technology has been imported. However, for the first time sterile dry powder (Cephalosporin injectables) have been launched using tamper evident package.

Foreign Exchange Earning and Outgo

During the year Foreign Exchange Earning was Rs.426.31 lakhs as against Outgo of Rs.8438.58 lakhs.

Annexure to the Directors' Report

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 referred to in the Directors' Report for the year ended 31st March, 2000 and forming part thereof of showing names and other particulars of the employees who were employed throughout the year and were in receipt of remuneration for the year in the aggregate of not less than Rs.6,00,000/- or not less than Rs.50,000/- 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
Asaikar Umesh	45	B.Tech., M.M.S., A.I.C.W.A.	President-Commercial Operations	11.07.91	21	843600	Omar Zawawi Estd.,Muscat Trading & Mfg.- Manager Project
Bansi Lal (Dr)	54	M.Sc., Ph.D	President - Quest Institute of Life Sciences	01.10.98	34	1294300	Hoechst Marion Roussel Ltd. Vice President - Research
Bhat A. K.	48	M.Pharm.	Sr.V.P. - Operations (Pithampur)	04.12.91	23	683920	Plethico Pharmaceuticals Chief Production Manager
Bhasin Ketan H.	37	B.Sc.	V.P. - Business Development (Alliances)	01.01.98	12	636080	Sun Pharma DGM Marketing
Bharucha R. P.	59	M.A.(Eco),M.A. (Per Mgmt),L.L.B.	President - HRD & Legal	12.01.95	34	2025092	Glaxo India Ltd. Director
Bhatia Satish C. (Dr.)*	55	B.Sc.,M.Sc., Ph.D. (Biochemistry)	President - Clinical Research & Regulatory Affairs	09.09.99	31	814388	Ranbaxy Laboratories Director
Bhalla V. K. (Dr.)	50	M.Sc.,Ph.D.	V.P. - Quality Assurance (Bulk Drug Division)	19.07.97	23	681496	SOL Pharmaceuticals, Hyderabad, Sr. G.M.-Q.C&A
Dave Vijay I. (Dr.)	43	M.Sc.,Ph.D.	V.P. - Operations	04.09.97	20	1106940	MAX GB Ltd., Factory Manager
Dhanawade B. T.	56	B.A.,L.L.B.,M.L.W	Sr. V.P. HRD & IR	01.11.91	36	794320	Glaxo India Ltd.Factory Personnel & Admin.Mgr.
Ghadiyar Nitin	41	B.A., M.M.S.	CEO Consumer Healthcare	28.06.94	21	2365083	Parke Davis India Ltd. Group Director-Consumer Products Division
Gupta Mahesh	43	B.Com. (Hons) L.L.B.,F.C.A. F.C.S.	Chief Financial Officer	01.07.93	21	1804229	Morarjee Goculdas Spg. Wvg.Co. Ltd.,General Manager, Corporate Planning
Gupta R.P. (Dr.)	51	B.Sc. Ph.D. (Organic Chemistry)	V.P.-R&D	02.09.97	24	704270	Bharat Serums & Vaccines Ltd., CEO
Hariharan V.	45	B.Com., ACA, ACS	Sr. V.P. - Finance	01.09.97	20	687378	Morarjee Brembana Ltd. Sr. G.M. - Finance
Joshi Milind	39	B.Tech., M.M.S.	V.P. - Production Planning & Purchase	01.04.98	13	611188	Godrej Hi-care G.M. - Commercial
Joshi Ulhas	45	B.A. (Hons.), MBA (IIMA)	V.P. - Marketing	16.05.89	22	863737	Morarjee Gokuldas Spg. &Wvg. Co. Ltd. Asst. Vice President - Marketing
Kaimal V.	51	B.Com.,A.C.A.	V.P. - Planning & Projects	11.06.79	26	839241	A.F. Ferguson & Co. Asst. Manager
Kamath V. P.	39	M.Sc., M.B.A.	V.P. -Biotek Division	16.12.96	15	1073845	Johnson & Johnson Ltd. Manager Sales & Marketing
Krishna R. (Dr.)	49	M.Sc. Ph.D. MBA(USA)	G.M. - Marketing (VFCD)	01.01.98	20	877996	Diagnostic Lab Systems Business Manager

Name	Age	Qualification	Designation	Date of Commencement	Experience	Remuneration Rs.	Last Employment & Position Held
Kurtkoti M. S.	55	B.Sc.	President - Ethical Pharma	21.03.97	35	2026551	Redikure Medrox Nig.Ltd. Managing Director
Mendonza M.B.	49	B.A. (Hons) PGDPM & IR LLB, DTD	Sr. V.P. - HRD	01.07.97	25	923982	Wander Ltd. Personnel Manager
Ojha Ashutosh	44	B.Pharm. (Hons) MBA	Sr. V.P. - Strategic Alliances	01.08.95	22	1089460	Tata Pharma General Manager - Sales & Marketing
Owalekar R. G.	63	M.Tex	VP - TQM	16.09.92	41	1428590	Bombay Dyeing & Mfg.Co. Ltd., General Manager - Quality Assurance
Pinto Francis J. (Dr.)	57	M.B.B.S.	Chief Executive Officer	01.04.97	35	4128998	Chairman, Princeton Healthcare
Piramal Ajay G.	44	B.Sc., M.M.S. (Bom.) A.M.P.(Harvard)	Chairman	01.04.97	22	4787955	Chairman & Managing Director Morarjee Goculdas Spg.& Wvg. Co.Ltd.
Piramal Swati A. (Dr)	44	M.B.B.S.,D.I.M. M.P.B.(Harvard)	Chief Scientific Officer	01.10.94	19	2596200	Gopikrishna Piramal Memorial Hospital - Medical Director
Saigal J. C.	61	M.Sc.M.Pharm	President - Manufact-uring Operations & Vitamins & Fine Chemicals	17.10.83	34	1521066	Astra Idl Ltd. Technical Controller
Sengupta S. S.	47	B.Sc., M.B.A.(IIMA)	C.E.O. - Sarabhai Piramal Ltd.	01.07.98	23	1651766	Alembic Chemicals Works Co. Ltd., Sr. V.P. - Marketing
Shah Vijay	42	B.Com.,F.C.A., AMP(Harvard)	Executive Director	14.12.87	19	2918147	Management Structure & Systems Pvt.Ltd. Sr. Consultant
Varghese George	50	B.Sc.	V.P.- Marketing Divn.	16.08.72	29	729156	Unichem Laboratories Ltd. Medical Representative
Vijayan B.A.	54	B.Sc.	V. P. - Hospital Products Division	01.03.67	34	660249	First Employment

* 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 Managing Director and Executive Directors.
2. Remuneration includes Salary, Company's contribution to Provident & Superannuation Funds, Medical Expenses, House Rent Allowance, Leave Travel Assistance, Commission to Directors, taxable value of perquisites and other allowances as per Company's Rules.
3. None of the employees except Shri Ajay G. Piramal and Dr.(Smt.) Swati A. Piramal, is related to any Director of the Company. Dr.(Smt.) Swati A. Piramal is the wife of Shri Ajay G. Piramal.

Report of the Auditors' to the members of Nicholas Piramal India Limited

We report that we have audited the Balance Sheet of Nicholas Piramal India Limited as at March 31, 2000 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order,1988 dated 7th September, 1988 issued by the Central Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above:

   In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Notes thereon and attached thereto, and the Statement on Significant Accounting Policies give in the prescribed manner the information required by The Companies Act, 1956 of India (the 'Act') and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2000 and its profit for the year ended on that date.

3. In our opinion and to the best of our information, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211 (3C) of the Act.

4. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

P. N. Ghatalia
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Dated : April 25, 2000

Annexure to the Auditors' Report

Referred to in paragraph (1) of our report of even date

i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

   (b) The fixed assets of the Company have been physically verified according to a phased program designed to cover all the items over a period of three years. Pursuant to the program a physical verification was carried out during the year by the management and no material discrepancies between the book records and physical inventory have been noticed.

ii) The fixed assets of the Company have not been revalued during the year.

iii) The stocks of finished goods, raw materials, packing materials, work-in-process and engineering stores have been physically verified by the management during the year/at year end.

iv) In our opinion, the procedures of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

v) The discrepancies between physical stocks and the book stocks which have been properly dealt with in the books of accounts were not material.

vi) In our opinion the valuation of stocks of finished goods, raw materials, packing materials and engineering stores has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the previous years except for deviation during the year in the basis of valuation of stocks of finished goods and materials lying in custom bond as indicated in Note 1(ix) of Schedule 21.

vii) In our opinion, the rates of interest and terms and conditions of loans, secured or unsecured, taken by the Company during the year, from Companies, firms and other parties listed in the register maintained under Section 301 of the Act, are prima facie not prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Act provisions of the section are not applicable to a company after the commencement of the Companies (Amendment) Act 1999 of India.

viii) In our opinion, the rates of interest (where applicable) and other terms and conditions of loans, secured or unsecured, granted by the Company to companies, firms or other parties listed in the register maintained under Section 301 of the Act, are prima facie not prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Act provisions of the section are not applicable to a company after the commencement of the Companies (Amendment) Act 1999 of the India.

ix) The parties (including employees) to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest, wherever applicable.

x) In our opinion, and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotation, the internal control procedures of the Company relating to purchases of stores, raw materials, packing materials, plant and machinery, equipment and other similar assets and sale of goods are commensurate with the size and nature of business of the Company.

xi) In our opinion, purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year Rs. 50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services where such market prices are available or the prices at which the transactions for similar goods or services have been made with other parties.

xii) The Company has a system of determining unserviceable or damaged stores and spares, packing materials, raw materials or finished goods on the basis of technical evaluation and on such basis in our opinion adequate amounts have been written off such stocks in the accounts.

xiii) In the case of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and provisions of Section 58A of the Act, and the rules thereunder, where applicable, have been complied with.

xiv) In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable scrap. The Company does not have any by-product.

xv) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.

xvi) On the basis of records, we are of the opinion that, prima facie the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Act, have been maintained in respect of bulk drugs and formulations. However, we are not required to and have not carried out any detailed examination of such accounts and records.

xvii) The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.

xviii) At the last day of the financial year, there was no amount outstanding in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.

xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and / or accepted business practices.

xx) The Company is not a sick industrial company within the meaning of clause (0) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act,1985 of India.

xxi) In respect of the Company's service activities (indenting commission income) as explained to us, the nature of activities do not involve the consumption of direct material or stores. The Company does not allocate man hours to jobs. Consequently, the question of a system of authorisation and control on the issue of stores and allocation of stores and labour to jobs does not arise.

xxii) In respect of trading activities there are no damaged goods in the possession of the Company as at March 31, 2000.

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Mumbai
Dated : April 25, 2000

Balance Sheet

as at March 31, 2000.

	Schedule No.	As at March 31, 2000 Rs. in lakhs		As at March 31, 1999 Rs. in lakhs	
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a. Share Capital	1	3485.31		2770.84	
b. Reserves & Surplus	2	33568.28		28122.71	
			37053.59		30893.55
2. Loan Funds					
a. Secured Loans	3	7602.77		9062.31	
b. Unsecured Loans	4	3347.46		2559.71	
			10950.23		11622.02
TOTAL			48003.82		42515.57
II. APPLICATION OF FUNDS					
1. Fixed Assets	5				
a. Gross Block		26901.34		20928.57	
b. Less : Depreciation		6158.18		5144.27	
c. Net Block		20743.16		15784.30	
d. Capital Work In Progress		642.24		696.80	
			21385.40		16481.10
2. Investments	6		9819.17		9156.75
3. Current Assets, Loans and Advances					
a. Inventories	7	8675.31		6698.50	
b. Sundry Debtors	8	8460.40		7250.60	
c. Cash and Bank Balances	9	4975.98		3151.84	
d. Other Current Assets	10	70.30		105.97	
e. Loans and Advances	11	4711.54		8340.63	
		26893.53		25547.54	
Less : Current Liabilities and Provisions					
a. Current Liabilities	12	9823.42		6722.38	
b. Provisions	13	270.86		1948.19	
		10094.28		8670.57	
Net Current Assets			16799.25		16876.97
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Share/Debenture Issue Expenses			—		0.75
TOTAL			48003.82		42515.57
NOTES TO ACCOUNTS	21				

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	**Ajay G. Piramal**	Chairman	**R. A. Shah**	Director
Partner	**C. M. Hattangdi**	Director	**Vijay Shah**	Chief Operating Officer
For and on behalf of	**Y. H. Malegam**	Director	**M. R. Shroff**	Director
Price Waterhouse	**Dr. Francis J. Pinto**	Chief Executive Officer	**Mahesh S. Gupta**	Chief Financial Officer
Chartered Accountants	**Dr. Swati A. Piramal**	Chief Scientific Officer	**Jasmine Tamboli**	Company Secretary
	J. C. Saigal	President, Mfg. - VFCD		

Mumbai, April 25, 2000.

Profit & Loss

Account for the year ended March 31, 2000.

	Schedule No.	Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs	
INCOME					
Sales		48647.59		42998.97	
Other Income	14	1824.98		1882.76	
			50472.57		44881.73
EXPENDITURE					
Materials	15	22543.73		17930.70	
Staff Cost	16	4778.48		4908.52	
Other Expenses	17	10505.37		10178.99	
Excise Duty		5346.93		4750.12	
(Increase)/Decrease in WIP/Finished Goods	18	(1175.03)		(311.58)	
Interest(net)	19	1119.84		1448.33	
			43119.32		38905.08
PROFIT BEFORE DEPRECIATION AND TAX			7353.25		5976.65
Less : Depreciation			1058.30		892.19
PROFIT BEFORE TAX			6294.95		5084.46
Less : Provision for Taxation [includes Wealth tax provision Rs.11 lakhs (Previous year Rs. 6 lakhs)] (Refer note 10, Sch. 21)			600.00		550.00
PROFIT FOR THE YEAR BEFORE EXTRA ORDINARY AND PRIOR PERIOD ITEMS			5694.95		4534.46
Less :Extra Ordinary and Prior Period Items	20		997.07		136.94
PROFIT FOR THE YEAR			4697.88		4397.52
Balance Profit brought forward			4696.29		2430.12
NET PROFIT AVAILABLE FOR APPROPRIATION			9394.17		6827.64
Proposed Dividend - Interim		1901.07		—	
- Final		—		1523.96	
Tax thereon		209.12		167.64	
Transfer to General Reserve		470.00	2580.19	439.75	2131.35
BALANCE CARRIED TO BALANCE SHEET			6813.98		4696.29
NOTES TO ACCOUNTS	21				

Schedules referred to above and notes attached there to form an integral part of the Balance Sheet.
This is the Profit & Loss Account referred to in our report of even date.

P. N. Ghatalia
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, April 25, 2000.

Ajay G. Piramal Chairman
C. M. Hattangdi Director
Y. H. Malegam Director
Dr. Francis J. Pinto Chief Executive Officer
Dr. Swati A. Piramal Chief Scientific Officer
J. C. Saigal President, Mfg. - VFCD

R. A. Shah Director
Vijay Shah Chief Operating Officer
M. R. Shroff Director
Mahesh S. Gupta Chief Financial Officer
Jasmine Tamboli Company Secretary

Schedules forming part of the Balance Sheet as at March 31, 2000.

		As at March 31, 2000 Rs. in lakhs	As at March 31, 1999 Rs. in lakhs
1. **SHARE CAPITAL**			
AUTHORISED			
5,00,00,000 (5,00,00,000) Equity Shares of Rs. 10/- each		**5000.00**	5000.00
ISSUED & SUBSCRIBED			
3,48,53,051 (2,77,08,370) Equity Shares of Rs. 10/- each		**3485.31**	2770.84
	TOTAL	**3485.31**	2770.84

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 9,52,624 warrants were converted into 71,44,681 shares resulting in the Issued and Subscribed Capital increasing by Rs. 714.47 lakhs. The remaining 9,556 warrants were cancelled.

			As at March 31, 2000 Rs. in lakhs		As at March 31, 1999 Rs. in lakhs
2.	**RESERVES AND SURPLUS**				
	CAPITAL RESERVE				
	As per last Balance Sheet	—		200.42	
	Less : Reversed during the year	—		200.42	
			—		—
	CAPITAL SUBSIDY				
	As per last Balance Sheet	40.00		25.00	
	Add: Received during the year	—		15.00	
			40.00		40.00
	SHARE PREMIUM ACCOUNT				
	As per last Balance Sheet	11783.46		11783.46	
	Add: During the year	2857.88		—	
			14641.34		11783.46
	GENERAL RESERVE				
	As per last Balance Sheet	9698.35		9258.60	
	Add: Transferred from Debenture Redemption Reserve	73.34		—	
	Add: Transferred from Profit and Loss Account	470.00		439.75	
			10241.69		9698.35
	DEBENTURE REDEMPTION RESERVE				
	As per last Balance Sheet	1665.80		2115.80	
	Less : Adjusted on spin off of Glass business	—		450.00	
	Less : Transferred to General Reserve	73.34		—	
			1592.46		1665.80
	INVESTMENT ALLOWANCE (UTILISED) RESERVE				
	As per last Balance Sheet		238.81		238.81
	PROFIT & LOSS ACCOUNT				
	As per annexed Profit and Loss Account		6813.98		4696.29
		TOTAL	33568.28		28122.71

	Note	As at March 31, 2000 Rs. in lakhs	As at March 31, 1999 Rs. in lakhs
3. SECURED LOANS			
Cash Credit from Banks	1	—	801.99
12.5% Non Convertible Secured Debentures Redeemable at par at the end of 8th, 9th & 10th years from the date of allotment - 19/04/92	2	939.92	939.92
15.25% Non Convertible Secured Debentures Redeemable at par at the end of 5th year from the date of allotment - 06/06/97 and 07/07/97	3	4490.00	4490.00
Term Loan From Financial Institutions	4	2172.85	2830.40
TOTAL		7602.77	9062.31

NOTES :

1. Cash Credit facilities are secured by hypothecation of stocks and book debts.
2. 12.5% Debentures of Rs. 939.92 lakhs secured by second charge of immoveable property situated at Pithampur, District Dhar in the State of Madhya Pradesh and further secured by way of hypothecation of all moveable assets of the Company situated at Pithampur (except book debts) including machinery, spares, tools and accessories both present and future subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements and first charge on company’s properties at Mouje Kuvarda Taluka, Mangrol, District Surat in the State of Gujarat.
3. 15.25% Debentures of Rs. 4490.00 lakhs secured by way of hypothecation on all the moveable properties situated at Pithampur, District Dhar in the State of Madhya Pradesh including machinery, spares, tools and accessories both present and future subject to prior charge on certain specified moveable assets created in favour of bankers for securing working capital requirements and/to be secured by way of further charge of immoveable property situated at Pithampur, District Dhar in the State of Madhya Pradesh.
4. Term loan from ICICI (Rs. 42.80 lakhs), IDBI (Rs. 42.60 lakhs), IFCI (Rs. 42.60 lakhs) and GIC & Subsidiaries (Rs.13.60 lakhs) secured by pari-passu first mortgage on all immoveable properties and first charge by way of hypothecation of all moveable properties situated at Kolshet Road, Thane and Plot No. K-1, Additional MIDC, Mahad, District Raigad, Maharashtra, (except book debts) subject to prior charges created/ to be created in favour of Company’s bankers for working capital borrowings.

   Term loan from ICICI Rs. 2031.25 lakhs secured by hypothecation of moveable assets situated at Plot No. K-1, Additional MIDC, Mahad, District Raigad, Maharashtra and Pithampur, District Dhar in the state of Madhya Pradesh and secured by way of further charge of immoveable property situated at Pithampur, District Dhar in the State of Madhya Pradesh.
5. Satisfaction of charges in respect of certain loans are still awaited.

	As at March 31, 2000 Rs. in lakhs	As at March 31, 1999 Rs. in lakhs
4. UNSECURED LOANS		
Sales Tax Deferment Loans [Payable within a year Rs.nil (Previous year Rs. nil)]	3017.38	2196.02
Fixed Deposits [Payable within a year Rs.44.34 lakhs (Previous year Rs. 31.58 lakhs)]	330.08	363.69
TOTAL	3347.46	2559.71

5. FIXED ASSETS

Rs. in lakhs

Particulars	COST				DEPRECIATION				NET BLOCK	
	Opening As at 01-04-99	Additions	Deductions	**As at 31-03-2000 (A)**	Opening As at 01-04-99	For the Year	Deductions	**As at 31-03-2000 (B)**	**As at 31-03-2000 (A-B)**	As at 31-03-99
Land Leasehold	146.86	0.40	—	**147.26**	10.63	1.54	—	**12.17**	**135.09**	136.23
Land Freehold	1185.16	741.33	—	**1926.49**	—	—	—	—	**1926.49**	1185.16
Building #	5493.86	1155.76	—	**6649.62**	659.99	160.21	—	**820.20**	**5829.42**	4833.87
Plant & Machinery*	12161.95	993.90	183.43	**12972.42**	3970.49	710.07	61.76	**4618.80**	**8353.62**	8191.46
Furniture & Fixtures & Office Equipment	1378.56	506.64	2.73	**1882.47**	372.38	159.66	1.41	**530.63**	**1351.84**	1006.18
Motor Vehicles	562.18	115.74	73.34	**604.58**	130.78	55.59	34.82	**151.55**	**453.03**	431.40
Brands **	—	2718.50	—	**2718.50**	—	24.83	—	**24.83**	**2693.67**	—
Grand Total	**20928.57**	**6232.27**	**259.50**	26901.34	**5144.27**	**1111.90**	**97.99**	**6158.18**	**20743.16**	**15784.30**
Previous Year	53713.49	4959.04	37743.96	20928.57	9312.51	917.00	5085.24	5144.27		
Capital Work in Progress (including Capital Advances)									**642.24**	696.80
(Includes know-how acquired and pending for commercial production)									**21385.40**	16481.10

Refer note 1(ii), Sch. 21

Refer note 1(iii), Sch. 21

Refer note 1(iv), Sch. 21

* Includes leased assets of Rs. 5.58 lakhs (Previous Year Rs. 5.58 lakhs)

Includes Rs. 1459.02 lakhs (Previous Year Rs.1459.02 lakhs), the title deeds in respect of which are yet to be executed, however, tax clearance certificate has been received.

**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.

		Nos. as at March 31, 2000	Nos. as at March 31, 1999	Face Value Rupees	As at March 31, 2000 Rs in lakhs	As at March 31, 1999 Rs in lakhs
6.	**INVESTMENTS (Long Term, Non Trade)**					
A)	**Government Securities - (Unquoted)**					
	7 years National Saving Certificates				**0.28**	0.28
	8 years National Saving Certificates				**0.02**	0.02
	12 years National Saving certificates				**0.12**	0.12
B)	**Units (Unquoted)**					
	Units of Unit Trust of India - Unit 64	**550000**	854000	10.00	**89.07**	119.67
	(304000 nos. sold during the year)					
C)	**Mutual Funds (Quoted)**					
	Mastershares	**110960**	219420	10.00	**13.28**	21.12
	(108460 nos. sold during the year)					
D)	**Shares of Companies**					
	a) Subsidiary Companies (Unquoted)					
	i. Piramal International	**1025000**	1025000	1 USD	**359.21**	359.21
	ii. NPIL Fininvest Limited	**221552**	151552	10.00	**22.16**	15.16
	iii. Gujarat Glass Limited	**9300000**	9300000	10.00	**930.00**	930.00
	iv. Drs. Tribedi & Roy Diagnostics Limited#	**2250000**	—	10.00	**225.00**	—
	b) Others (Unquoted)					
	i. Allergan India Limited	**3920000**	3920000	10.00	**392.00**	392.00
	ii. Piramal Enterprises Limited	—	181400	10.00	—	18.14
	iii. Reckitt Piramal Limited	**4000000**	4000000	10.00	**400.00**	400.00
	iv. Scholl Piramal (India) Limited	**1960000**	1960000	10.00	**196.00**	196.00
	v. Sarabhai Piramal Pharmaceuticals Ltd.	**22500250**	12500250	10.00	**2250.03**	1250.03
	vi. Boots Piramal Healthcare Limited					
	– Equity Shares	**1700000**	1700000	10.00	**170.00**	170.00
	– Preference Shares	**750000**	750000	10.00	**75.00**	75.00
	vii. Solumiks Piramal Limited	**200000**	200000	10.00	**320.00**	320.00
	viii. Piramal Organics Limited *	—	4900000	10.00	—	490.00
	ix. Global Bulk Drugs and Fine Chemicals Limited					
	– Equity Shares *	—	4500000	10.00	—	450.00
	– Preference Shares	**39500000**	39500000	10.00	**3950.00**	3950.00
	x. Charak Piramal Healthcare Limited	**1000000**	—	10.00	**427.00**	—
		TOTAL			**9819.17**	9156.75

* Sold at book value

\# These shares have been hypothecated with ICICI Limited against a term loan taken by Drs. Tribedi & Roy Diagnostics Limited.

			As at March 31, 2000 Cost Rs. in lakhs	As at March 31, 2000 Market Value Rs. in lakhs	As at March 31, 1999 Cost Rs. in lakhs	As at March 31, 1999 Market Value Rs. in lakhs
1.	Aggregate value of quoted investments		**13.28**	**17.25**	21.12	25.06
2.	Aggregate value of unquoted investments		**9805.89**		9135.63	
		TOTAL	**9819.17**		9156.75	

		As at March 31, 2000 Rs. in lakhs		As at March 31, 1999 Rs. in lakhs
7. INVENTORIES				
(As certified by the Management)				
Raw & Packing Materials		3317.35		2525.61
Work-in-progress		565.43		393.04
Finished Goods *		4687.81		3685.17
Engineering Stores		104.72		94.68
* includes Samples stock of Rs.190.01 lakhs (Previous year Rs. 223.97 lakhs)				
TOTAL		8675.31		6698.50

8. SUNDRY DEBTORS				
i. Over six months				
Secured - considered good	11.97		101.56	
Unsecured- considered good	553.95		851.02	
- considered doubtful	187.91		149.24	
	753.83		1101.82	
Less : Provision for doubtful debts	187.91		149.24	
		565.92		952.58
ii. Others-Considered good				
Secured	7.26		30.49	
Unsecured	7887.22		6267.53	
		7894.48		6298.02
TOTAL		8460.40		7250.60

9. CASH AND BANK BALANCES				
i. Cash and cheques on hand		46.81		189.18
ii. Balance with Scheduled Banks				
– Current account		2127.30		2871.33
– Fixed deposit account		2700.00		—
– Others		29.40		30.51
iii. Share Application Money and unclaimed dividend warrants		72.47		60.82
TOTAL		4975.98		3151.84

10. OTHER CURRENT ASSETS				
Interest, rent & claims receivable		70.30		105.97
TOTAL		70.30		105.97

		As at March 31, 2000 Rs. in lakhs		As at March 31, 1999 Rs. in lakhs
11. LOANS AND ADVANCES				
Unsecured & Considered Good unless otherwise stated				
Advances recoverable in cash or in kind or for value to be received	955.28		1519.23	
Less : Considered doubtful	—		12.45	
		955.28		1506.78
Advance to NPIL Senior Employees Stock Option Scheme		1645.20		1739.45
Loans to Subsidiaries (Refer note 11, Sch. 21)		92.67		2726.71
Advance Tax Less Provision		1250.87		1464.80
Other Deposits		579.99		630.39
Balance with Customs, Port Trust and Excise Authorities on Current Account		187.53		272.50
TOTAL		4711.54		8340.63

12. CURRENT LIABILITIES		
Sundry Creditors for Capital goods, Materials & Expenses (Refer note 8, Sch. 21)	5551.42	5707.60
Advances from customers	994.81	101.72
Share Application Money (refundable)	0.07	0.07
Unpaid Dividend	72.40	60.75
Interest accrued but not due	147.79	117.72
Other Liabilities	946.74	734.52
Interim Dividend	1901.07	—
Tax Payable on Interim Dividend	209.12	—
TOTAL	9823.42	6722.38

13. PROVISIONS		
Proposed dividend	—	1523.96
Provision for Wealth Tax less payment	7.37	9.28
Tax Payable on Proposed Dividend	—	167.64
Provision for Employees retirement benefits	263.49	247.31
TOTAL	270.86	1948.19

Schedules annexed to and forming part of the Profit and Loss Account for the year ended March 31, 2000.

		Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
14. OTHER INCOME				
Dividend on investments [Tax deducted at source Rs.nil lakhs (Previous year Rs. 9.44 lakhs)]		781.69		208.20
Profit on sale of Investments (net)		297.10		245.59
Services & Commission		323.13		1179.54
Miscellaneous Income		423.06		249.43
TOTAL		1824.98		1882.76

		Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
15. MATERIALS				
Raw and Packing Materials		13838.19		12522.27
Purchase of Trading Goods		8705.54		5408.43
TOTAL		22543.73		17930.70

		Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
16. STAFF COST (Net of Recoveries) (Refer note 12 , Sch. 21)				
Salaries, wages, bonus and gratuity		3916.69		4065.51
Contribution to Provident and other funds		532.24		484.19
Staff Welfare		329.55		358.82
TOTAL		4778.48		4908.52

		Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
17. OTHER EXPENSES (Net of Recoveries) (Refer note 12 , Sch. 21)				
Processing charges		69.71		212.20
Stores and spares consumed		351.93		287.12
Power, Fuel & Water Charges		950.28		914.09
Repairs and Maintenance				
Buildings	205.77		163.70	
Plant and Machinery	201.26		221.11	
Others	25.31		23.75	
		432.34		408.56
Rent				
Premises	236.19		155.78	
Other assets	17.15		14.87	
		253.34		170.65
Rates & Taxes		2549.26		2061.47
Insurance		101.01		106.41
Travelling expenses		1392.49		1448.69
Directors' Commission		60.00		53.50
Directors' Fees		0.88		0.60
Provision for doubtful debts		50.00		70.00
Deferred Revenue Expenditure		0.75		0.38

Continued...

		Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
17. OTHER EXPENSES (Net of Recoveries) (Refer note 12 , Sch. 21)				
Loss on sale of assets (net)		18.11		10.47
Provision for diminution in value of Investment		—		67.15
Advertisement		443.73		631.52
R & D Expenses @		864.29		341.11
Miscellaneous expenses (Refer note 7, Sch. 21)		2967.25		3395.07
TOTAL		10505.37		10178.99

@ Includes depreciation Rs. 53.60 lakhs (Previous year Rs. 24.81 lakhs)

18. (INCREASE) / DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS				
OPENING STOCKS :				
Work-in-progress	393.04		1458.53	
Work-in-progress - on spin off	—		(801.06)	
Finished goods	3685.17		4054.76	
Finished goods - on spin off	—		(945.60)	
		4078.21		3766.63
CLOSING STOCKS :				
Work-in-progress	565.43		393.04	
Finished goods	4687.81		3685.17	
		5253.24		4078.21
(Increase)/Decrease in WIP/ Finished Goods		(1175.03)		(311.58)

19. INTEREST				
Interest on Fixed loan & Debentures	1448.64		1860.69	
Interest on Others	1873.41		1677.75	
		3322.05		3538.44
Less : Interest Received :				
(i) On term deposits with Limited Companies & others [Tax Deducted at Source Rs. 459.43 lakhs (Previous year Rs. 398.20 lakhs)]	2083.17		2003.66	
(ii) On Receivables and Others	119.04		86.45	
		2202.21		2090.11
TOTAL		1119.84		1448.33

20. EXTRA ORDINARY AND PRIOR PERIOD ITEMS				
VRS & Related Expenses	840.96		—	
Thane Factory Closure Expenses	28.92		61.26	
Tax for prior periods	127.19		75.68	
		997.07		136.94
TOTAL		997.07		136.94

21. NOTES TO ACCOUNTS

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 referred to in Section 211 (3C) of the Companies Act, 1956.

ii) Fixed Assets

All fixed assets 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 commercial production incurred towards acquiring fixed assets are capitalised.

Brands/know-how are recorded at their acquisition cost.

iii) Depreciation

Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

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

Brands/know-how are amortised from the month of product launch/commercial production, over their estimated economic life of ten years.

iv) Research and Development

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

v) Leave Encashment

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

vi) Retirement Benefits / Voluntary Retirement Scheme (VRS)

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

The entire liability on account of payments under VRS are fully charged off to the Profit & Loss Account in the same year.

vii) Investments

Investments are classified as long term investments and are stated at cost. Diminution in value if any, which is of a temporary nature, is not provided.

viii) Valuation of Inventories

Raw materials, packing materials, stores, work-in-progress and samples are valued at cost. Finished goods are valued at lower of cost or net realisable value.

ix) Excise Duty and Customs Duty on Bond Stocks

In accordance with Accounting Standard 2 issued by the Institute of Chartered Accountants of India, provision has been made for Excise Duty of Rs. 31.76 lakhs on closing stock of finished goods lying in bond and Customs Duty of Rs. 183.61 lakhs on materials lying in bond at the year end. However, the aforesaid treatment of excise duty and customs duty has no effect on the profit for the year.

x) 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 in the cost of assets.

		As at March 31, 2000 Rs. in lakhs	As at March 31, 1999 Rs. in lakhs
2.	Estimated amount of contracts remaining to be executed on capital account.	1392.89	542.03
3.	Contingent Liability :		
	a. In respect of Central Excise dispute relating to classification in respect of which the Company has furnished Bank Guarantees for Rs. 458.00 lakhs (Previous Year : Rs. 422.00 lakhs). In a similar classification dispute, the CEGAT has decided in favour of the Company.	**Amount unascertainable**	Amount unascertainable
	b. In respect of amounts alleged to be over-charged and alleged to be recoverable under the Drug Price Control Order.	**Amount unascertainable**	Amount unascertainable
	c. 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 .	60.83	60.83
	d. Guarantees issued to Government authorities and public limited companies including performance guarantees.	3528.33	6154.18
	e. Appeals filed in respect of disputed demands :		
	Income tax	182.19	428.52
	Sales tax	115.70	95.06
	Central Excise	283.13	112.39
4.	Managerial Remuneration :		
	A. To Managing Director and Executive Directors*		
	a. Salaries	69.27	69.65
	b. Commission	43.00	43.00
	c. Contribution to Provident Fund and Superannuation Fund	8.46	9.24
	d. Other Perquisites	26.90	34.60
	*Net of recovery from Gujarat Glass Limited, subsidiary for part secondment amounting to Rs.13.74 lakhs. (Previous Year : Rs 7.31 lakhs)	147.63	156.49
	B. To other Directors	17.00	10.50
	C. Director's Fees	0.88	0.60
	Total Managerial Remuneration	165.51	167.59

		As at March 31, 2000 Rs. in lakhs		As at March 31, 1999 Rs. in lakhs
D. Computation of Net Profit u/s 198 / 349 of the Companies Act, 1956				
Profit before tax as per Profit & Loss Account	6294.95		5084.46	
Less : - Extraordinary & Prior Period Items (excludes tax for prior periods)	869.88		61.26	
- Profit on sale of investments (net)	297.10		245.59	
- Loss on sale of assets u/s 349	9.16		4.89	
		5118.81		4772.72
Add : - Depreciation as per accounts	1058.30		892.19	
- Managerial remuneration	165.51		167.59	
- Provision for diminution in the value of investments	—		67.15	
- Provision for doubtful debts	50.00		70.00	
- Loss on sale of assets (net)	18.11		10.47	
		1291.92		1207.40
		6410.73		5980.12
Less : - Depreciation under Sec.350		1981.40		1690.60
Net profit u/s 198 / 349 of the Companies Act,1956		4429.33		4289.52
I) Commission to Managing Director / Executive Directors restricted to		43.00		43.00
II) Commission to Non Wholetime Directors @ 1% of Net Profit u/s 349, Rs.44.29 lakhs restricted to		17.00		10.50
5. a. Value of imports calculated on CIF basis :				
i. Raw materials		3624.20		3454.13
ii. Capital goods		58.19		28.60
iii. Traded Goods/Reagents		4620.60		2855.23
b. Expenditure in Foreign Currency :				
i. Subscriptions		10.33		5.14
ii. Travelling		39.01		53.64
iii. Others		86.25		0.37
6. Earnings in Foreign Exchange :				
i. Export of goods calculated on FOB basis		244.13		295.36
ii. Commission		182.18		293.95
7. Miscellaneous Expenses include :				
Auditor's remuneration in respect of :				
Statutory Auditors				
a) Audit fees		15.00		14.00
b) Tax Audit Fees		4.00		2.63
c) Certification Fees/Other Services		0.10		0.35
d) Reimbursement of Out of Pocket Expenses		0.14		0.30

8. The names of the small scale industrial undertakings to whom the Company owes a sum exceeding Rs.100,000 and which is outstanding for more than 30 days are :-

Party	**Rs. in lakhs**
Ansa Printpack Private Limited	**3.84**

The above information regarding small scale industrial undertakings 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.

9. The Company has during the year implemented a Voluntary Retirement Scheme (VRS) at the Deonar Plant. The total amount of Rs.817.10 lakhs incurred for the VRS has been charged off in the accounts for the year under review. The Company is examining various proposals for disposing off the facilities at Deonar as a going concern alongwith all remaining employees for which purpose, the consent of the shareholders is being sought in the ensuing Extra Ordinary General Meeting on 29th April, 2000.

The Company does not expect any additional liability to accrue on such sale.

10. In view of the brought forward losses and permissible deductions under the Income Tax Act for the earlier years, the provision for tax for the year amounting to Rs. 600.00 lakhs (Previous Year : Rs. 550 lakhs) is under Minimum Alternate Tax and accordingly cummulative balance of Rs. 1458.03 lakhs as at year end is available for set off against future tax liability.

11. Balances due from Subsidiary companies are as follows :

	As at March 31, 2000 Rs. in lakhs	As at March 31, 1999 Rs. in lakhs
Gujarat Glass Limited	**92.67**	617.13
Global Bulk Drugs & Fine Chemicals Limited (Ceased to be subsidary with effect from March, 2000)	—	2109.58
	92.67	2726.71

12. Recoveries are arising on account of sharing of common expenses with Joint Ventures / Associates Companies.

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

14. **CAPACITY, PRODUCTION, SALES AND CLOSING STOCK**
Class of goods manufactured: Pharmaceuticals, Bulk Drugs, Chemicals and Skin Care products

a) The Company's industrial undertaking at Chembur which was acquired from Pharmed Private Limited was established prior to the enactment of the Industries (Development and Regulation) Act, 1951. The Company has therefore, been advised (on which the auditors have placed reliance) that its installed and productive capacities of 780 million Tablets, 17,50,000 litres Liquids and 15,16,000 kgs Powders and Ointments may be treated as licensed capacities.

b) The manufacturing unit at Chembur of the Indian Branch of Nicholas of India Limited which was transferred to the Company with effect from July 1, 1979, has installed as well as productive capacities of 1,788 million Tablets, 1,09,000 kgs Powders and 80,000 kgs Creams. The Company has been advised (on which the auditors have placed reliance) that the Industries (Development & Regulation) Act, 1951 does not apply to this unit and therefore, the question of licensed capacities does not arise.

c) The Company's manufacturing unit at Ambernath has installed capacities of 13,10,000 litres Liquids and 7,00,000 kgs Powders. The Company has received advice (on which the auditors have placed reliance) that the Industries (Development & Regulation) Act, 1951 does not apply to this unit and therefore, the question of licensed capacities does not arise.

d) In addition to the above, the Company holds a Letter of Intent in respect of its industrial undertaking at Pithampur, District Dhar, Madhya Pradesh, for manufacture of formulations where capacities are mentioned in terms of consumption of bulk drugs.

Name of the Bulk Drug	**Kgs.**	**Name of Bulk Drug**	**Kgs**
Isosorbide-5-Mononitrate	2,150	Famotidine	4,000
Ciprofloxacin	6,500	Carbimazole	520
Ephedrine Resinate	25,360	Glyceryl Mono Para Amino Benzoate	2,840
Nifedipine	430	Enalapril Maleate	240
Isosobride Dinitrate	21,070		

Category	UOM	Licensed Capacity	Installed Capacity	Opening Stock Quantity (3&4)	Opening Stock Value (Rs. in lakhs)	Decrease in Stocks on Spin off Quantity	Decrease in Stocks on Spin off Value (Rs. in lakhs)	Production Quantity (1,2 & 4)	Purchases Quantity (4&6)	Purchases Value (Rs. in lakhs)	Sales Quantity (5)	Sales Value (Rs. in lakhs)	Closing Stocks Quantity (3&4)	Closing Stocks Value (Rs. in lakhs)
TRADED														
Creams & Powder	Kgs	—	—	1,493.52	189.27	—	—	—	47,747.10	121.38	36,722.93	325.34	12,466.49	59.05
		—	—	(3,383.98)	(83.49)	—	—	—	(126.93)	(459.28)	(1,839.24)	(440.16)	(1,493.52)	(189.27)
Ointment	Kgs	—	—	—	—	—	—	—	—	—	—	—	—	—
		—	—	(65.08)	(0.44)	—	—	—	—	—	(4.62)	(0.06)	—	—
Vials	Ltrs	—	—	67.18	310.29	—	—	—	151.59	1,131.07	117.66	1,195.05	83.69	592.65
		—	—	(20.83)	(184.96)	—	—	—	(111.11)	(574.92)	(63.97)	(749.76)	(67.18)	(310.29)
Tablets & Capsules	Mios	—	—	62.17	476.84	—	—	—	451.02	2,413.69	457.36	2,817.77	55.10	611.94
		—	—	(15.20)	(188.36)	—	—	—	(339.40)	(900.61)	(293.37)	(1,585.07)	(62.17)	(476.84)
Liquids, Drops &	Ltrs	—	—	4,889.25	55.26	—	—	—	142,336.42	380.72	62,518.35	293.96	84,701.34	197.00
Solutions		—	—	(585.28)	(1.90)	—	—	—	(43,870.99)	(420.20)	(39,024.61)	(413.89)	(4,889.25)	(55.26)
Feed Supplements	Kgs	—	—	475.00	2.24	—	—	—	45,515.00	176.07	37,240.00	184.39	6,950.00	21.12
& Others		—	—	(910.00)	(13.31)	—	—	—	(31,965.00)	(197.68)	(32,280.00)	(220.59)	(475.00)	(2.24)
Others		—	—	—	1,177.60	—	—	—	—	4,371.50	—	6,076.16	—	1,685.97
		—	—	—	(1,043.37)	—	—	—	—	(2,800.63)	—	(4,548.01)	—	(1,177.60)
Physician Samples		—	—	—	19.37	—	—	—	—	111.11	—	—	—	9.28
		—	—	—	(19.32)	—	—	—	—	(55.11)	—	—	—	(19.37)
MANUFACTURED														
Tablets	Mios	827.93	9,076.73	132.37	604.48	—	—	2,767.53	—	—	2,744.43	16,330.88	143.34	687.94
		(827.93)	(8,826.73)	(201.33)	(663.09)	—	—	(2,631.26)	—	—	(2,688.69)	(13,122.35)	(132.37)	(604.48)
Capsules	Mios	214.80	885.49	15.23	140.63	—	—	155.50	—	—	159.92	3,621.13	8.66	143.14
		(214.80)	(885.49)	(36.90)	(278.23)	—	—	(189.24)	—	—	(213.79)	(4,552.81)	(15.23)	(140.63)
Liquids	KLs	1,495.42	16,661.00	54.16	401.26	—	—	3,247.14	—	—	3,205.88	7,165.33	90.91	290.05
		(1,495.42)	(15,546.00)	(113.19)	(241.28)	—	—	(3,039.89)	—	—	(3,111.62)	(6,781.51)	(54.16)	(401.26)
Powders,Creams	MTs	—	240.50	19.62	75.64	—	—	180.02	—	—	181.55	957.12	17.40	169.11
& Ointments		—	(240.50)	(21.69)	(56.09)	—	—	(216.76)	—	—	(221.87)	(1,375.61)	(19.62)	(75.64)
Bulk Drug &	MTs	106.60	189.10	0.01	2.32	—	—	53.59	—	—	53.07	190.58	0.02	5.62
Intermediates (2)		(106.60)	(189.10)	(2.78)	(72.80)	(1.60)	(60.63)	(77.72)	—	—	(69.78)	(226.25)	(0.01)	(2.32)
Vitamin A in various	mmu	68.10	77.70	0.57	14.00	—	—	156.23	—	—	138.54	5,215.72	0.17	5.71
Forms & Combinations (2)		(68.10)	(77.70)	(4.43)	(116.37)	—	—	(144.26)	—	—	(132.86)	(4,805.88)	(0.57)	(14.00)
Sodalime	MT/	—	—	—	—	—	—	—	—	—	—	—	—	—
	lakhs	—	—	(1,056.68)	(405.51)	(1056.68)	(405.51)	—	—	—	—	—	—	—
Borosilicate	MT/	—	—	—	—	—	—	—	—	—	—	—	—	—
	lakhs	—	—	(950.68)	(479.46)	(950.68)	(479.46)	—	—	—	—	—	—	—
Physician Samples		—	—	—	204.61	—	—	—	—	—	—	—	—	180.73
		—	—	—	(81.06)	—	—	—	—	—	—	—	—	(204.61)
Other Sales		—	—	—	11.36	—	—	—	—	—	—	1,835.45	—	28.50
		—	—	—	(125.72)	—	—	—	—	—	—	(2,259.06)	—	(11.36)
Sales Tax		—	—	—	—	—	—	—	—	—	—	2,438.71	—	—
		—	—	—	—	—	—	—	—	—	—	(1,918.08)	—	—
Grand Total					3,685.17		—			8,705.54		48,647.59		4,687.81
					(4,054.76)		(945.60)			(5,408.43)		(42,998.97)		(3,685.17)

Note:
1. Includes products processed by third parties.
2. Includes production for captive consumption of 29904 kgs (Previous Year 36778 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.

Materials Consumed	UOM	Quantity Year Ended		Value in lakhs Year Ended	
		31.3.2000	31.3.1999	**31.3.2000**	31.3.1999
Gentamycin Sulphate	Kgs	**3630.54**	3585.41	**226.85**	369.79
Sulphamethaxazole	Kgs	**103536.10**	93025.66	**386.71**	381.81
Verapamil Hydrochloride	Kgs	**4421.81**	4505.53	**275.12**	256.86
Trimethoprim IP	Kgs	**20702.18**	18562.32	**154.71**	161.71
L-Base	Kgs	**16000.00**	20000.00	**262.57**	492.12
Acetrene	Kgs	**22040.00**	34770.00	**634.47**	948.36
Others		—	—	**11897.76**	9911.62
Total				13838.19	12522.27
Whereof :			%		%
Imported at Landed Cost		4347.22	**31.41%**	4213.29	33.65%
Indigenous		9490.97	**68.59%**	8308.98	66.35%
Total		13838.19		12522.27	

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.	5 7 1 9	State Code	1 1
Balance Sheet Date	31 03 00 Date Month Year		

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

Public Issue	Exercise of option by the detachable Equity warrantholder	Rights Issue
N I L		N I L
Bonus Issue	7 1 4 4 7	Private Placement
N I L		N I L

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

Total Liabilities	Total Assets
2 1 0 4 4 5 1	5 8 0 9 8 1 0

Sources of Funds

Paid up Capital	Reserves & Surplus
3 4 8 5 3 1	3 3 5 6 8 2 8
Secured Loans	Unsecured Loans
7 6 0 2 7 7	3 3 4 7 4 6

Application of Funds

Net Fixed Assets	Investments
2 1 3 8 5 4 0	9 8 1 9 1 7
Net Current Assets	Miscellaneous Expenditure
1 6 7 9 9 2 5	0 0
Accumulated Losses	
N I L	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
4 8 6 4 7 5 9	4 4 1 7 7 6 2
+ - Profit / Loss Before Tax	+ - Profit / Loss After Tax
+ 6 2 9 4 9 5	+ 5 6 9 4 9 5
Earnings per Share in Rs. (Profit for the year / Paid up Equity)	Dividend Rate %
1 6 . 0 6	6 5 . 0 0 %

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

Item Code No.	2 9 3 6 2 1
Product Description	V I T A M I N - A
Item Code No.	3 0 0 3 1 0
Product Description	P A R A X I N
Item Code No.	3 0 0 3 1 0
Product Decription	GENTAMYCIN SULPHATE INJECTIONS

Signature to Schedule 1 to 21

P. N. Ghatalia	**Ajay G. Piramal**	Chairman	**R. A. Shah**	Director
Partner	**C. M. Hattangdi**	Director	**Vijay Shah**	Chief Operating Officer
For and on behalf of	**Y. H. Malegam**	Director	**M. R. Shroff**	Director
Price Waterhouse	**Dr. Francis J. Pinto**	Chief Executive Officer	**Mahesh S. Gupta**	Chief Financial Officer
Chartered Accountants	**Dr. Swati A. Piramal**	Chief Scientific Officer	**Jasmine Tamboli**	Company Secretary
	J. C. Saigal	President, Mfg. - VFCD		

Mumbai, April 25, 2000.

Cash Flow Statement for the year ended March 31, 2000

				Year Ended March 31, 2000 Rs in lakhs		Year Ended March 31, 1999 Rs in lakhs
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Net Profit Before Tax and Extraordinary items :			6294.95		5084.46
	Adjustments For					
	Add : Depreciation		1058.30		892.19	
	Depreciation included in R&D expenses		53.60		24.81	
	Loss on sale of Assets		18.11		10.47	
	Interest Paid		1119.84		1448.33	
	Diminution in value of Investments		—		67.15	
	Miscellaneous Expenses written off		0.75		0.38	
				2250.60		2443.33
	Less : Profit on sale of Investments		297.10		245.59	
	Dividend Received		781.69		208.20	
				1078.79		453.79
	Operating Profit Before Working Capital Changes			7466.76		7074.00
	Adjustments For					
	Less: Increase in Trade & Other Receivables		1209.80		—	
	Increase in Loans and Advances		—		4558.49	
	Increase in Inventories		1976.81		1170.43	
				3186.61		5728.92
	Add : Increase in Trade Payables		1007.03		1526.78	
	Decrease in Trade & other Receivables		—		2799.95	
	Decrease in Other Current Assets		35.67		25.87	
	Decrease in Loans and Advances		3415.16		—	
				4457.86		4352.60
	Cash Generated from Operations			8738.01		5697.68
	Less : Direct Taxes Paid		387.98		232.24	
				387.98		232.24
	Net Cash From Operating Activities	(A)		8350.03		5465.44
B.	**NET INFLOW ON ACCOUNT OF SPIN OFF OF BULK DRUG & GLASS DIVISION**			—		25576.80
		(B)		—		25576.80
C.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of Fixed Assets/WIP		(6177.71)		(5131.97)	
	Sale of Fixed Assets		143.40		11.90	
	Purchase of Investments		(1725.55)		(6385.03)	
	Sale of Investments		1360.23		529.90	
	Dividend Received		781.69		208.20	
	Net Cash Used in Investing Activities	(C)		(5617.94)		(10767.00)

			Year Ended March 31, 2000 Rs. in lakhs		Year Ended March 31, 1999 Rs. in lakhs
D. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Long Term Borrowings		821.36		—	
Repayment of Long Term Borrowings		(691.16)		(3750.88)	
Proceeds from Short Term Borrowings		—		223.06	
Repayment of Short Term Borrowings		(801.99)		(9140.62)	
Interest Paid		(1119.84)		(1448.33)	
Dividends Paid		(1523.96)		(2770.84)	
Dividend tax		(167.64)		(277.08)	
Net Cash Used in Financing Activities	(D)		(3483.23)		(17164.69)
E. Share Capital					
Share Capital and Share Premium		3572.35		—	
Subsidy Received		—		15.00	
Other Extra-Ordinary Items		(997.07)		(136.94)	
	(E)		2575.28		(121.94)
Net Increase in Cash & Cash Equivalents					
(A)+(B)+(C)+(D)+(E)			1824.14		2988.61
Cash & Cash Equivalents 31.03.1999 (Opening Balance)			3151.84		353.91
Less : Opening Balance on account of Spin Off (included in (B) Above)			—		(190.68)
Cash & Cash Equivalents 31.03.2000 (Closing Balance)			4975.98		3151.84

Note :

The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.

Ajay G. Piramal	Chairman	**R. A. Shah**	Director
C. M. Hattangdi	Director	**Vijay Shah**	Chief Operating Officer
Y. H. Malegam	Director	**M. R. Shroff**	Director
Dr. Francis J. Pinto	Chief Executive Officer	**Mahesh S. Gupta**	Chief Financial Officer
Dr. Swati A. Piramal	Chief Scientific Officer	**Jasmine Tamboli**	Company Secretary
J. C. Saigal	President, Mfg. - VFCD		

Mumbai, April 25, 2000.

Auditors' Certificate

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Nicholas Piramal India Limited for the year ended March 31, 2000 reported upon by us on April 25, 2000.

According to the information and explanations given together with note thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with Stock Exchanges and the reallocations required for the purpose are as made by the Company.

P. N. Ghatalia
Partner

For and on behalf of

Price Waterhouse
Chartered Accountants

Mumbai, April 25, 2000.

Consolidated Financial Statements

As of March 31, 1999 and 2000

Prepared in Accordance with
United States Generally Accepted Accounting Principles (US GAAP)

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Consolidated Statements of Income

(millions, except per share data)	Year ended March 31, 1999	2000	2000
Net sales	Rs.5,161	Rs.6,247	US$143.12
Costs and expenses			
Cost of goods sold	2,815	3,533	80.93
Selling, general and administrative expenses	1,066	1,084	24.84
Research and development expenses	32	81	1.86
Depreciation and amortization	347	442	10.14
Voluntary termination benefits	—	91	2.08
Income from continuing operations before interest, income taxes, minority interests and equity in earnings of affiliates	901	1,016	23.27
Interest income	209	222	5.09
Interest expense	(655)	(694)	(15.90)
Income from continuing operations before income tax, minority interests and equity in earnings of affiliates	455	544	12.46
Income taxes	(186)	(148)	(3.39)
Minority interests	(5)	(36)	(0.82)
Income from continuing operations before equity in earnings of affiliates	264	360	8.25
Equity in earnings of affiliates-net of tax	37	65	1.49
Net income from continuing operations	301	425	9.74
Loss from discontinued operations-net of tax	(90)	(140)	(3.21)
Gain on disposal of discontinued operations-net of tax	—	94	2.15
Net income	Rs.211	Rs.379	US$8.68
EARNINGS PER COMMON SHARE – BASIC			
Income from continuing operations	Rs.11.18	Rs. 14.93	US$ 0.34
Discontinued operations – net of tax	(3.34)	(1.62)	(0.04)
Net income	7.84	13.31	0.30
EARNINGS PER COMMON SHARE – DILUTED			
Income from continuing operations	9.04	12.59	0.29
Discontinued operations – net of tax	(2.70)	(1.36)	(0.03)
Net income	Rs.6.34	Rs. 11.23	US$0.26
Weighted average shares – basic	26,932,343	28,457,938	28,457,938
Weighted average shares – diluted	33,304,209	33,750,543	33,750,543

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(millions)	1999	Year ended March 31, 2000	2000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	Rs.328	Rs.550	US$12.60
Available-for-sale securities	15	10	0.23
Trade accounts receivable, less allowances for doubtful accounts: 1999-Rs 37; 2000-Rs 39	1,179	1,453	33.29
Inventories	1,009	1,361	31.18
Prepaid expenses and other current assets	627	610	13.97
Total Current Assets	3,158	3,984	91.27
Investments in equity affiliates	318	395	9.05
Long-term investments	21	39	0.89
Property, plant and equipment, net	4,877	5,814	133.20
Goodwill and other intangibles, net	862	1,169	26.78
Net assets of discontinued operations	451	—	—
Total Assets	Rs.9,687	Rs.11,401	US$261.19
LIABILITIES AND STOCK HOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	Rs.531	Rs.854	US$19.56
Current portion of long-term borrowings	608	1,304	29.87
Accounts payable	766	732	16.77
Other current liabilities	236	655	15.00
Deferred tax	5	6	0.15
Total current liabilities	2,146	3,551	81.35
Long-term borrowings	2,823	2,734	62.64
Deferred tax	807	735	16.84
Minority interests	540	648	14.84
Total liabilities	6,316	7,668	175.67
Commitments and contingencies (Note 21)			
Common stock, Rs.10/- par value; 50,000,000 equity shares authorized as of March 31, 1999 and 2000; Issued 27,708,370 and 34,853,051, and outstanding 26,908,370 and 34,090,551 at March 31, 1999 and 2000, respectively.	277	349	8.00
Additional paid-in capital	3,337	3,621	82.95
Retained earnings	(70)	(62)	(1.42)
Accumulated other comprehensive income	9	1	0.02
	3,553	3,909	89.55
Stock held by Nicholas Piramal India Limited Senior Employees Stock Option Plan	(182)	(176)	(4.03)
Total stockholders' equity	3,371	3,733	85.52
Total liabilities and stockholders' equity	Rs.9,687	Rs.11,401	US$261.19

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(millions)	Year ended March 31, 1999	2000	2000
OPERATING ACTIVITIES			
Income from continuing operations	Rs.301	Rs.425	US$9.74
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	347	442	10.13
Minority interests	5	1	0.02
Equity in earnings of affiliates	(37)	(65)	(1.49)
Loss/(Gain) on disposal of property, plant and equipment, net	(1)	(1)	(0.02)
Loss/(Gain) on disposal of investments, net	(18)	2	0.05
Changes in assets and liabilities, net of effects of businesses acquired and divested:			
Accounts receivable	39	(216)	(4.95)
Inventories	(238)	(176)	(4.03)
Prepaid expenses and other current assets	154	54	1.24
Accounts payable and other current liabilities	(110)	414	9.48
Income taxes	165	(71)	(1.64)
Net cash (used for)/provided by operating activities	607	809	18.53
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(1,202)	(1,025)	(23.48)
Proceeds from sale of property, plant and equipment	7	14	0.32
Purchase of patents and trade-marks	—	(272)	(6.23)
Proceeds from sale of intangibles	15	—	—
Purchase of investments	(106)	(161)	(3.69)
Proceeds from sale of investments	53	94	2.15
Proceeds from sale of discontinued business	—	262	6.00
Purchases of businesses, net of cash acquired	—	(270)	(6.19)
Cash dividends received	16	44	1.01
Net cash used in investing activities	(1,217)	(1,314)	(30.11)
FINANCING ACTIVITIES			
Common stock issued	—	356	8.16
Common stock issued by subsidiary	946	—	—
(Purchase)/sale of ESOP shares	(116)	6	0.14
Proceeds from borrowings	1,731	1,585	36.31
Repayment of borrowings	(1,292)	(838)	(19.20)
Cash dividends paid	(295)	(371)	(8.50)
Net cash provided by financing activities	974	738	16.91
Net cash provided by continuing operations	364	233	5.33
Net cash used in discontinued operations	(62)	—	—
Effect of foreign exchange rate changes on cash and cash equivalents	—	(11)	(0.25)
Net (decrease)/increase in cash and cash equivalents	302	222	5.08
Cash and cash equivalents at the beginning of the year	26	328	7.52
Cash and cash equivalents at the end of the year	Rs.328	Rs.550	12.60
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	655	691	15.83
Income taxes paid, excluding tax deducted at source	49	68	1.56
The Company purchased capital stock of Ceylon Glass Limited and Drs Tribedi & Roy Limited .In conjunction with the acquisition, liabilities assumed were as follows :			
Fair value of assets acquired	—	673	15.42
Cash paid for capital stock	—	(270)	(6.19)
Liabilities assumed	—	403	9.23

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(millions)	Common stock Shares	Par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Employees Stock Option Plan	Total stockholders' equity
Balance at April 1, 1998	27,258,370	277	2,927	14	18	(66)	3,170
Net income	—	—	—	211	—	—	211
Net unrealized loss on available-for-sale securities	—	—	—	—	(13)	—	(13)
Currency translation adjustment	—	—	—	—	4	—	4
Total comprehensive income	—	—	—	—	—	—	202
Dividends declared	—	—	—	(295)	—	—	(295)
Purchase of ESOP shares	(350,000)	—	—	—	—	(116)	(116)
Issuance of Stock by Subsidiary	—	—	410	—	—	—	410
Balance at March 31, 1999	26,908,370	277	3,337	(70)	9	(182)	3,371
Net income	—	—	—	379	—	—	379
Net unrealized gain on available-for-sale securities	—	—	—	—	(1)	—	(1)
Currency translation adjustment	—	—	—	—	(7)	—	(7)
Total comprehensive income	—	—	—	—	—	—	371
Dividends declared	—	—	—	(371)	—	—	(371)
Sale of ESOP shares	37,500	—	—	—	—	6	6
Common stock issued	7,144,681	72	286	—	—	—	358
Issue expenses	—	—	(2)	—	—	—	(2)
Balance at March 31, 2000	**34,090,551**	**Rs.349**	**Rs. 3,621**	**Rs.(62)**	**Rs.1**	**Rs.(176)**	**Rs. 3,733**
Balance at March 31, 2000 (US$)	**34,090,551**	**US$8.00**	**US$82.95**	US$(1.42)	**US$0.02**	**US$ (4.03)**	**US$ 85.52**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Millions of Indian rupees unless otherwise stated)

1 Description of business

Nicholas Piramal India Limited and its subsidiaries and investees (the "Company") is one of India's leading pharmaceutical companies. The Company principally performs research and development, manufacturing and the marketing and distributing of a broad range of pharmaceutical products, including prescription and over-the-counter products. The Company was established in 1947 and acquired in 1988 by entities beneficially owned by Mr. Ajay G. Piramal. At March 31, 2000, Mr. Ajay G. Piramal, through his beneficial ownership of the largest block of shares, continues to wield significant influence over the operating and financing decisions of the Company.

The Company currently offers over seventy-five brands covering ten therapeutic disease or affliction categories. In addition, the Company manufactures and distributes glass products through its subsidiaries, Gujarat Glass Limited and Ceylon Glass Company Limited, leading manufacturers and distributors of glass containers for high quality applications such as packaging pharmaceutical and cosmetic products.

2 Summary of significant accounting policies

a. Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries in which an equity majority interest is maintained. For those consolidated subsidiaries where the Company's ownership is less than 100%, the outside stockholders' interests are shown as minority interests. Investments in affiliates, over which the Company has significant influence but not a controlling interest, typically with a shareholding of between 20% and 50%, are carried on the equity basis.

b. Basis of presentation

The accounting and reporting policies of the Company used in the preparation of these consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements require that management make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported income and expenses for the reporting period. Accordingly, these consolidated financial statements include amounts that are based on management's best estimates and judgements. Estimates are used when accounting for depreciation and amortization, allowances for doubtful accounts, deferred tax and certain other assets and liabilities.

The accompanying consolidated financial statements have been prepared in Indian rupees ("Rs."), the national currency of India. Solely for the convenience of the reader, the consolidated financial statements at and for the year ended March 31, 2000 have been translated into US dollars ("US$") at the noon buying rate in New York City on March 31, 2000 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York of US $ 1 = Rs.43.65. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or at any other certain rate on March 31, 2000 or at any other date.

c. Revenue recognition

The Company sells a broad range of pharmaceutical products, for both prescription and over-the-counter markets, and glass container products. Sales are unconditional and are recognized upon shipment and when title passes to independently owned and operated distributors and customers. Revenue is presented net of sales returns, allowances, duties and taxes. Provision is made for an estimate of warranty costs and doubtful accounts at the time of sale.

d. Cash and cash equivalents

Cash equivalents comprise of certain highly liquid investments with original maturities of three months or less.

e. Marketable securities

The Company classifies marketable securities as available-for-sale securities, and such securities are stated at fair value based on quoted market prices, with the unrealized gains and losses included as a component of accumulated other comprehensive income. Realized gains and losses and declines in value judged to be other than temporary are also included in the consolidated statements of income. The cost of securities sold is based on the specific identification method.

f. Inventory

Inventory is stated at the lower of cost or market value.

Cost is determined by using the first-in-first-out ("FIFO") method except for the subsidiary, Gujarat Glass Limited, where cost is determined on the weighted average basis. Cost includes the cost of materials, labor and direct factory overheads.

g. Property, plant and equipment, net

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost and accumulated depreciation for property, plant and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are reflected in the consolidated statements of income.

h. Interest capitalization

Interest costs incurred for funding an asset during its construction period are capitalized and amortized as part of the cost of the related asset.

i. Income taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements' carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in the consolidated statements of income in the period of change. Deferred tax assets are recognized subject to management's judgement that realization is more likely than not.

j. **Stock-based compensation**

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-based Compensation," the Company elected to account for its stock-based compensation under Accounting Principles Board Opinion No. 25, 'Accounting for Stock Issued to Employees."

The exercise price of stock options granted to employees equaled the market price on the date of grant. Accordingly, no expense is recorded relating to these stock options.

k. **Retirement benefits**

Gratuity

In accordance with Indian statute, the Company provides for a gratuity obligation, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company. The gratuity benefit conferred to employees is equal to or greater than the statutory minimum.

This gratuity benefit is provided by the Company through annual contributions to a fund administered and managed by the Life Insurance Corporation of India. Under this scheme, the Life Insurance Corporation of India assumes the full obligation to settle the gratuity payment to the employees. No additional contributions are required to be made by the Company in excess of any unpaid plan contributions. The gratuity premium is recorded as an expense.

In respect of the Gujarat Glass Limited subsidiary, the gratuity liability is separate from the Life Insurance Corporation of India policy and is accrued on the basis of an actuarial valuation with the Company settling the obligation.

Superannuation

Management grade employees of the Company are entitled to receive retirement benefits under the superannuation scheme operated by the Life Insurance Corporation of India.

Superannuation is a defined contribution plan under which the Company contributes annually a sum equivalent to 15% of the employee's eligible annual salary to the manager of the fund, the Life Insurance Corporation of India, who undertake to pay the lump sum and annuity payments pursuant to the scheme.

Provident Fund

In accordance with Indian statute, all employees of the Company are entitled to receive benefits under the provident fund through a defined contribution plan in which both the employees and the Company contribute monthly at a determined rate (presently 12% of the employee's salary). These contributions are generally made to a fund established by either the Company or the Government of India and administered by independent trustees or the Government of India. Employer's contributions are recognized in the consolidated statements of income in the year incurred.

The Company has no further obligations under the plan, beyond its monthly contribution.

l. **Foreign currency transactions**

Revenue and expenses denominated in foreign currencies are recognized at the exchange rate prevailing on the date of transaction. Foreign currency balances held at the year end are translated at the year end exchange rate and revaluation gains and losses are recognized in the consolidated statements of income.

The assets and liabilities of the Company's foreign operations are translated into Indian rupees at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a separate component of accumulated other comprehensive income.

m. **Earnings per share**

In accordance with SFAS No. 128, "Earnings per share," basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

n. **Goodwill and other intangible assets**

Goodwill represents the difference between the purchase price of acquired businesses and the fair value of their net assets when accounted using the purchase method. The Company amortizes goodwill evenly over periods not exceeding twenty years.

Other intangibles represent patents and trade-marks that are amortized over periods not exceeding twenty years.

o. **Research and development**

All expenditures incurred in research and development activities are expensed in the consolidated statements of income in the year incurred.

p. **Impairment of long-lived assets**

The Company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less costs to sell. There have been no impairments recorded in any of the periods presented.

q. **Financial instruments**
The Company enters into foreign currency forward contracts to limit the effect of exchange rate fluctuations on its foreign currency borrowings. Gains and losses on these contracts are recognized in the consolidated statements of income as incurred, over the life of the contract.

r. **Risks and uncertainties**
The Company is subject to certain risks common to companies within the pharmaceutical industry in India. These include, but are not limited to, the research and development by competitors of new technological innovations, dependency on key personnel, protection of proprietary technology, estimation of the size and characteristics of the market for the Company's products, acceptance of the Company's products, product liability, and compliance with government regulations and agencies.

s. **Issuance of stock by a subsidiary**
Difference arising on the issuance of common stock by a subsidiary in excess of the company's carrying value to introduce new investors are included in equity in the consolidated balance sheets, within additional paid-in capital.

t. **Advertising costs**
Advertising costs are expensed in the year incurred.

u. **Voluntary termination benefits**
The Company recognizes the employee voluntary termination benefits in the consolidated statements of income in the year incurred.

3. Business combinations and asset purchases

On October 1, 1999 the Company's subsidiary Gujarat Glass Limited acquired a 74% equity interest in Ceylon Glass Company Limited for a consideration of Rs.258 million. Ceylon Glass Company Limited has a glass manufacturing unit near Colombo, Sri Lanka. This acquisition has been accounted for under the purchase method.

On August 15, 1999 the Company acquired a 90% equity interest in a pathological laboratory facility in Calcutta, India, Drs. Tribedi and Roy Diagnostic Laboratories Limited. A consideration of Rs.115 million was paid. This acquisition has been accounted for under the purchase method.

On October 1, 1998 the Company acquired the assets of Hoechst Marion Roussel Research Centre, located in Mumbai, for a total consideration of Rs.200 million which equated to the fair value of the assets acquired.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if the Ceylon Glass acquisition had been completed as of the beginning of the periods presented. The pro forma data give effect to actual operating results prior to the acquisition, adjusted to include the pro forma effect of interest expense, amortization of intangibles and income taxes. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of the beginning of the periods presented or that may be obtained in the future.

	Year ended March 31,		
	1999	**2000**	**2000**
Revenues	Rs.5,560	**Rs.6,409**	**US$146.83**
Net income	201	**371**	**8.50**
Earnings per share			
Basic	Rs. 7.52	**Rs. 13.04**	**US$0.30**
Diluted	6.08	**10.99**	**0.25**

Unaudited pro forma consolidated results after giving effect to the Tribedi & Roy and Hoechst acquisitions would not have been materially different from the reported amounts for either year.

4. Investments in equity affiliates

The principal investments in equity affiliates are as follows:

	Ownership Year ended March 31,		
Equity affiliate	1999	**2000**	Description of business
Sarabhai Piramal Pharmaceuticals Limited	50%	**50%**	Marketing pharmaceutical formulations
Allergan India Limited	49%	**49%**	Marketing ophthalmic formulations and other eye care products
Scholl Piramal India Limited	49%	**49%**	Marketing foot-care products
Piramal Enterprises Limited	48%	—	Corporate services
Reckitt Piramal Limited	40%	**40%**	Marketing over-the-counter products
Boots Piramal Healthcare Limited	40%	**40%**	Marketing skin care and over-the-counter products
Solumiks Piramal Limited	50%	**50%**	Marketing Ayurvedic formulations
Charak Piramal Healthcare Limited	—	**50%**	Marketing Ayurvedic over- the-counter products

The joint venture with Ambalal Sarabhai Enterprises Limited, an unrelated third party, in Sarabhai Piramal Pharmaceuticals Limited ("SPPL") is to market pharmaceutical formulations. Summarized financial information for SPPL is as follows:

	Year ended March 31,		
	1999	**2000**	**2000**
Net sales	Rs.538	**Rs.1,116**	US$25.57
Depreciation and amortization	26	**45**	**1.03**
Income from operations	100	**200**	**4.58**
Interest expenses, net	56	**96**	**2.20**
Income taxes	16	**41**	**0.94**
Net income	28	**63**	**1.44**
	At March 31,		
Current assets	137	353	**8.09**
Intangible assets, net	488	**1,300**	**29.78**
Property, plant and equipment, net	9	**8**	**0.18**
Other assets	32	**123**	**2.82**
Total Assets	666	**1,784**	**40.87**
Current Liabilities	62	**151**	**3.46**
Long-term borrowings	300	**968**	**22.18**
Short-term borrowings	—	**162**	**3.71**
Other liabilities	15	**45**	**1.03**
Total shareholders' equity	289	**458**	**10.49**
Total liabilities and equity	Rs.666	**Rs.1,784**	**US$40.87**

Intangible assets represent the purchases of patents and trade-marks that are being amortized over periods not exceeding twenty years.

Summarized financial information for the remaining equity investees in aggregate (excluding SPPL) is as follows:

	Year ended March 31,		
	1999	**2000**	**2000**
Net sales	Rs.2,487	**Rs.3,563**	**US$81.63**
Income from operations	105	**161**	**3.69**
Net (loss)/income	82	**84**	**1.92**
	At March 31,		
Current assets	1,139	**926**	**21.21**
Non current assets	297	275	**6.30**
Current liabilities	756	**656**	**15.03**
Non current liabilities	Rs.363	**Rs.285**	**US$6.53**

The analysis of the movement in investments in equity affiliates is as follows:

	SPPL	Others	Total
Balance at April 1, 1998	130	62	192
Investments	—	106	106
Equity in earnings of affiliates – net of tax	14	22	36
Dividends received	—	(16)	(16)
Balance at March 31, 1999	144	174	318
Investments	100	42	142
Equity in earnings of affiliates – net of tax	27	34	61
Sale of investments	—	(82)	(82)
Dividends received	(40)	(4)	(44)
Balance at March 31, 2000	**Rs.231**	**Rs.164**	**Rs.395**
Balance at March 31, 2000 US$	**US$5.30**	**US$3.75**	**US$9.05**

5. Issuance of Stock by Subsidiary

The glass business, which was formerly a division of the Company, was incorporated as a separate wholly owned subsidiary, Gujarat Glass Limited, on April 1, 1998 with a contribution to share capital of 9,300,000 shares at a par value of Rs. 93 million. Immediately thereafter Gujarat Glass Limited made an additional issue of 8,000,000 shares for an aggregate consideration of Rs.1,180 million to three unrelated foreign investors as follows:

Investor	Equity Shares	Amount
Indo-Ocean Packaging Limited	2,170,000	Rs.320
India Private Equity Fund	4,750,000	701
Citicorp Investment Bank (Singapore)	1,080,000	159
	8,000,000	Rs.1,180

As a result of the share issue, the Company's stake in Gujarat Glass Limited stands at 53.76% at March 31, 2000.

In addition, as provided in the agreement with the foreign direct investors, Gujarat Glass Limited paid Rs.180 million (US$4.12 million) to Piramal Enterprises Limited, a 48% equity affiliate of the Company, as non compete fees.

The difference between the issue price and the Company's carrying amount of Rs. 473 million (Rs. 591 million, adjusted for tax of Rs.118 million) alongwith the associated non compete fees of Rs. 63 million (Rs. 180 million, adjusted for tax of Rs. 63 million and minority interests of Rs. 54 million), resulting in a net excess of Rs. 410 million has been included within additional paid-in capital.

6. Discontinued Operations

In the year ended March 31, 2000 due to the continuing losses and increased competition experienced in the bulk drug business of the wholly owned subsidiary, Global Bulk Drugs Limited, a decision was made to dispose of that business. In March 2000, prior to the year-end, the disposition was completed through the sale of the Company's equity interest and repayment of debt in Global Bulk Drugs Limited to a non related party for cash proceeds of Rs. 262 million representing equity of Rs.45 million and a loan repayment of Rs.217 million.

The net cash flows of the discontinued operations are reported as net cash used by discontinued operations in the consolidated cash flow statements.

Net assets of the discontinued operations consisted of the following:

	Year ended March 31,		
	1999	**2000**	**2000**
Net current assets	Rs.181	**Rs.-**	**US$ -**
Property, plant and equipment, net	618	—	—
Other non current assets	1	—	—
Long-term liabilities	(349)	—	—
Net assets of discontinued operations	Rs.451	**Rs.-**	**US$-**

Results of the discontinued operations were as follows :

	Year ended March 31,		
	1999	**2000**	**2000**
Net sales	Rs.435	**Rs.431**	**US$9.87**
Loss on discontinued operations, net of tax	(90)	**(140)**	**(3.21)**
Gain on disposal of discontinued operations, net of tax	Rs. —	**Rs.94**	**US$2.15**

Gross proceeds of Rs.262 million were received for the net assets of the discontinued operations of Rs.168 million resulting in a gain on disposal of Rs.94 million.

7. Cash and cash equivalents

Cash and cash equivalents comprise of:

	Year ended March 31,		
	1999	2000	2000
Cash and bank deposits	Rs.322	**Rs.540**	**US$12.37**
Restricted cash and bank balances	6	**10**	**0.23**
Total	Rs.328	**Rs.550**	**US$12.60**

8. Allowances for doubtful trade accounts receivable

Allowances for doubtful trade receivable comprise of :

	Year ended March 31,		
	1999	2000	2000
Balance at the beginning of the year	Rs.26	**Rs.37**	**US$0.85**
Bad debts written off	—	**(2)**	**(005)**
Provision no longer required	—	—	—
Add : Provision during the year	11	**4**	**0.09**
Balance at the end of the year	Rs.37	**Rs.39**	US$0.89

9. Inventories

Inventories comprise of:

	Year ended March 31,		
	1999	2000	2000
Raw materials and packaging	Rs.294	**Rs.381**	**US$8.73**
Work in progress	62	**88**	**2.01**
Finished goods	499	**639**	**14.64**
Stores and spares	154	253	**5.80**
Total	Rs.1,009	**Rs.1,361**	US$31.18

Inventories are pledged with various banks to fund and secure credit limits for working capital requirements.

10. Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise of:

	Year ended March 31,		
	1999	2000	2000
Trade and other advances	Rs.329	**Rs.320**	**US$7.33**
Deposits	135	**133**	**3.05**
Recoverable income taxes	163	**157**	**3.59**
Total	Rs.627	**Rs.610**	**US$13.97**

11. Property, plant and equipment, net

Property, plant and equipment comprise of:

	Year ended March 31,		
	1999	2000	2000
Land	Rs.186	**Rs.337**	**US$ 7.72**
Buildings	1,029	**1,302**	**29.83**
Machinery and equipment	4,135	5,399	**123.69**
Furniture and fixtures	175	245	**5.61**
Motor vehicles and other assets	68	**93**	**2.13**
Assets under construction	382	**172**	**3.94**
Total	5,975	**7,548**	**172.92**
Less: accumulated depreciation	(1,098)	**(1,734)**	**(39.72)**
Property, plant and equipment, net	Rs.4,877	**Rs.5,814**	**US$133.20**

The depreciation expense was Rs. 289 million and Rs. 379 million, (US $ 8.68 million), for the years ended March 31, 1999 and 2000, respectively.

Estimated useful lives of property, plant and equipment are as follows:

	Useful Life
Factory buildings	50 years
Plant and machinery	10 – 20 years
Form, fill and seal machines	35 years
Computers	5 years
Motor vehicles	5 years
Furniture and fixtures	5 years

Interest capitalized on qualifying assets was as follows :

Year ended March 31,	Rs.	US $
1999	—	—
2000	60	1.37

Property, plant and equipment at certain plants, having a net book value of Rs.4,654 million at March 31, 2000, are mortgaged in favor of certain lenders.

12. Goodwill and other intangible assets, net

Intangible assets comprise of:

	Year ended March 31,		
	1999	**2000**	**2000**
Goodwill	Rs.1,057	**Rs.1,154**	**US$26.43**
Patents and trade-marks	221	**494**	**11.32**
Total	1,278	**1,648**	**37.75**
Less : Accumulated amortization	(416)	**(479)**	**(10.97)**
Goodwill and other intangibles, net	Rs.862	**Rs.1,169**	**US$26.78**

In the year ended March 31, 2000, additions to goodwill included Rs. 97 million (US $ 2.22 million) arising on the acquisition of 90% of the equity capital of Drs. Tribedi and Roy Diagnostic Laboratories Limited.

The amortization expense was Rs. 58 million and Rs. 63 million (US$ 1.44 million), in the years ended March 31, 1999 and 2000, respectively.

13. Available-for-sale securities

The fair values of available-for-sale securities are as follows:

	Year ended March 31,		
	1999	**2000**	**2000**
Cost	Rs.14	**Rs.10**	**US$0.23**
Gross unrealized gain	1	—	—
Gross unrealized loss	-	—	—
Fair value	Rs.15	**Rs.10**	**US$ 0.23**

Aggregate proceeds from the sale of investments, as reflected in the consolidated statements of cash flows, include an amount of Rs. 53 million and Rs.21 million, (US$0.48million) in the years ended March 31, 1999 and 2000, respectively, in respect of the sale of available-for-sale securities. The (loss)/gain on disposal of investments, as reflected in the consolidated statements of cash flows, includes an amount of Rs.19 million and Rs.7 million,(US$ 0.16 million) in the years ended March 31, 1999 and 2000, respectively, in respect of the sale of available-for-sale securities.

14. Common stock

At March 31, 1999 and 2000, respectively, the authorized common stock of the Company comprised 50,000,000 ordinary shares with a par value of Rs.500 million (US $ 11.45 million).

At March 31, 1999 and 2000, respectively, issued and paid up common stock was 27,708,370 shares and 34,853,051 shares, with paid up value of Rs. 277 million and Rs. 349 million (US $ 8 million), respectively.

At March 31, 1999 the Company had outstanding 962,180 warrants with an associated right to convert into 7,216,350 shares of common stock. These warrants were issued to the shareholders of Piramal Healthcare Limited (PHL). On acquisition of PHL by the Company in the year ended March 31, 1997, the warrantholders acquired the right to convert the warrants in the company shares. The warrants were exercisable prior to December 15, 1999 at a price of Rs.50 per share. Out of the total exercisable warrants, 952,624, representing 7,144,681 shares of common stock, were exercised in the year ended March 31, 2000 resulting in a fresh issue of 7,144,681 shares that increased the par value of common stock by Rs.72 million and additional paid in capital by Rs.286 million. This increased paid up common stock from Rs. 277 million to Rs. 349 million (US$ 8.00 million). The rights relating to the remaining unexercised warrants subsequently lapsed.

The statutory distributable reserves of the Company are Rs. 3,194 million at March 31, 2000, Rs.1,464 of which can only be distributed by way of bonus shares. The distribution of these reserves is subject to the provisions of the Indian Companies Act of 1956 and the Indian laws on foreign exchange to the extent applicable.

15. Other comprehensive income

	Available-for-sale securities	Currency translation adjustment
At April 1, 1998	14	4
Sold during the year	(13)	—
Currency adjustment	—	4
At March 31, 1999	1	8
Unrealized loss	(1)	—
Currency adjustment	—	(7)
At March 31, 2000	**—**	**1**

16. Borrowings

The long-term and short-term borrowings of the Company are as follows :

	Year ended March 31, 1999	2000	2000
Long-term borrowings:			
Foreign currency loans	Rs. 595	**Rs. 426**	**US$9.76**
Debentures	953	**1,544**	**35.37**
Term loans	1,333	**1,224**	**28.04**
Other loans	550	**444**	**10.18**
Redeemable subsidiary preference shares	—	**400**	**9.16**
Total long-term borrowings	3,431	**4,038**	**92.51**
Less: current portion of long-term borrowings	608	**1,304**	**29.87**
Long-term borrowings, net of current portion	2,823	**2,734**	**62.64**
Short-term borrowings :			
Bank overdrafts	381	**354**	**8.11**
Short-term bank borrowings	150	**500**	**11.45**
Total short-term borrowings, exclusive of current portion of long-term borrowings	531	**854**	**19.56**
Total borrowings	Rs. 3,962	**Rs. 4,892**	**US$112.07**

Short-term borrowings consist of bank overdrafts and other unsecured short-term bank borrowings. The bank overdrafts are renewable annually, repayable on demand and secured by the pledging of inventory. At March 31, 2000 the Company has unutilized overdraft limits of Rs.1,250 million (US $28.64 million). The weighted average short term interest rate for the year ended March 31, 2000 is 12%.

Foreign currency loans consist of US dollar denominated loans from ING Bank and Dresdner Bank, at an interest rate of 90 basis points above the London Inter-Bank Offering Rate ("LIBOR"). These loans are to finance capital investments at the glass manufacturing facilities and are repayable in the years ending March 31, 2001 and 2002.

The Company has issued secured, redeemable and non-convertible debentures, mainly to banks and financial institutions. The debentures, which are secured by the Company's property, plant and equipment, carry a fixed interest rate and comprise of :

Debentures	Repayable	At March 31, 2000	2000
12.50 %	Three annual installments, commencing April 2000.	Rs.94	US$2.15
15.25 %	Repayments in June and July 2002.	659	15.09
13.70 %	Five semi-annual installments, commencing March 2001.	200	4.58
14.50 %	Four annual installments, commencing September 2003.	250	5.73
13.50 %	Three annual installments, commencing October 2002.	150	3.44
13.50 %	Three semi-annual installments, commencing September 2002.	150	3.44
13.50 %	July 2001.	30	0.69
Others	October 2003.	11	0.25
		Rs.1,544	US$35.37

The Company has obtained term loans from ICICI, an Indian financial institution, and other financial institutions. These loans, which are secured by the Company's property, plant and equipment, bear a fixed rate of interest and comprise:

Borrowing	Repayable	At March 31, 2000	2000
15.00 % ICICI	Quarterly at Rs.40 million per installment, ending October 2003.	Rs.528	US$12.10
15.25 % ICICI	Quarterly at Rs.16 million per installment, ending October 2003.	203	4.65
13.75 % ICICI	Quarterly at Rs.16 million per installment, ending October 2002.	203	4.65
14.00 % ICICI	10 quarterly installments, commencing May 2001.	75	1.72
12.00 % Exim Bank	March 2001.	200	4.58
Other	March 2001.	15	0.34
		Rs.1,224	US$28.04

Other loans principally consist of the deferral of sales tax liabilities in respect of the sale of products manufactured by the Company. This deferral, under an exemption scheme of the State Government, entitles manufacturing units established in certain eligible areas to defer the payment of sales tax collections. Under the scheme, the Company collects sales tax but retains it for up to ten years. After the specified period, the total collection is paid to the State authorities, in installments, over a three to five year period.

Borrowing	Repayable	Year ended March 31, 2000	2000
Sales tax deferral	Repayable after ten years	Rs.411	US$9.42
Fixed Deposits	Repayable in 2001 and 2002	33	0.76
		Rs. 444	US$10.18

The redeemable subsidiary preference shares fall due between 2002 and 2004 and have a preferred dividend rate of between 10%-11%.

The scheduled repayment of long term borrowings over the next five years ending March 31, are as follows:

2001	Rs.1,304
2002	760
2003	1,252
2004	286
2005 and thereafter	Rs. 253

Restrictive Covenants

The aforementioned debt agreements typically contain restrictions which require the Company to meet certain financial covenants. These covenants typically preclude the Company from incurring additional borrowings, investing or lending and paying certain dividends without prior written consent. Covenants for some debt agreements require the Company to maintain prescribed debt-equity ratios.

17. Income taxes

The tax effects of significant temporary differences are reflected through a deferred tax asset or liability, which is included in the consolidated balance sheets. The principal timing differences are set out below :

	Year ended March 31,		
	1999	**2000**	**2000**
Deferred tax assets :			
Loss carried forward	Rs.269	**Rs.405**	**US$9.28**
Minimum alternate tax	170	**184**	**4.21**
Others	5	**5**	**0.11**
Less : Valuation Allowance	(402)	**(269)**	**(6.16)**
Deferred tax asset (net)	42	**325**	**7.44**
Deferred tax liabilities :			
Property, plant and equipment	(736)	**(948)**	**(21.72)**
Issuance of Stock by Subsidiary	(118)	**(118)**	**(2.70)**
Deferred tax liability	(854)	**(1,066)**	**(24.42)**
Deferred tax liability (net)	(812)	**(741)**	**(16.98)**
Current	(5)	**(6)**	**(0.14)**
Non-Current	Rs.(807)	**Rs.(735)**	**US$(16.84)**

The Company has loss carry-forwards which may be used to offset future taxable income. These loss carry-forwards would begin to expire in 2007. The Company also has minimum alternate tax credits which may be used to offset future taxes payable. These credits would begin to expire in 2002.

Due to a ruling by the Supreme Court of India, in April 2000, clarifying certain provisions of the Indian Income Tax Act of 1961, companies are now able to defer depreciation on property, plant and equipment. As a result, the Company is able to utilize certain of the tax loss carry-forwards on March 31, 2000 against future taxable income.

At March 31, 2000, the Company has Rs.54 million of carry-forward losses arising on Ceylon Glass Company Limited, which are available to reduce future taxable income.

Reconciliation of tax rates

The following is the reconciliation of estimated income taxes at Indian statutory income tax rates to the income tax expense as reported in the consolidated statements of income. The enacted rate increased from 35% in 1998 and 1999 to 38.5% in 2000.

	Year ended March 31,		
	1999	**2000**	**2000**
Income tax expense at the statutory tax rate	Rs.159	**Rs.210**	**US$4.81**
Increase/(reduction) in taxes on account of:			
Tax exempt income	(14)	**(12)**	**(0.27)**
Changes in the statutory tax rate (43% to 35%)	—	**56**	**1.28**
Disallowed expenses	5	**8**	**0.18**
Valuation allowance	29	**(156)**	(3.57)
Others	7	42	**0.96**
Total income tax expense	Rs.186	**Rs.148**	**US$3.39**

The components of the income tax expense are set out below:

	Year ended March 31,		
	1999	**2000**	**2000**
Current	Rs.76	**Rs.77**	**US$1.76**
Deferred	110	**71**	**1.63**
Total income tax expense	Rs.186	**Rs.148**	**US$3.39**

18. Rent and lease commitments

Rentals of space under operating leases amounted to approximately Rs. 20 million and Rs. 29 million (US $ 0.66 million) for the years ended March 31, 1999 and 2000, respectively. As at March 31, 2000 there were no non-cancelable leases.

19. Employee stock option plan

The Company instituted an employee stock option plan ("ESOP") for its senior employees. For this purpose, it created a trust "Nicholas Piramal India Ltd. – Senior Employees Option Scheme". Under the ESOP, up to March 31, 2000 the trust had granted 393,000 common shares as options with an average vesting period of 3.25 years. As the options are fixed, and granted at the market price prevailing at grant date, the Company has not recognized any compensation expense in the consolidated statements of income.

Under the ESOP, entities controlled by Mr. Ajay. G. Piramal sold existing shares to the trust. The trust funded these purchases through borrowings from the Company which have been eliminated on consolidation of the assets and liabilities of the trust.

		Shares of Common Stock
	Outstanding and available for option	Weighted Average Exercise Price
Balance, March 31, 1999	343,000	139
Exercised	(37,500)	130
Balance, March 31, 2000	305,500	140

Had the compensation cost been determined based upon the fair value at grant dates for awards under this plan as defined by SFAS No.123, net income would have been reduced by approximately Rs.6 million and Rs.6 million in the years ended March 31, 1999 and 2000 (US$ 0.14 million), respectively, and basic and diluted earnings per share for those periods would have been as follows:

	Year ended March 31,		
	1999	**2000**	**2000**
Basic earnings per share	Rs.7.61	**Rs.13.11**	**US$0.30**
Diluted earnings per share	6.15	**11.05**	**0.25**

The fair value of the options granted during the year ended March 31, 1998 was estimated at Rs. 120 per common share on the date of grant using the Black Scholes option pricing model with the following assumptions :

	Year ended March 31,	
	1999	**2000**
Risk-free interest rate	10.66	**10.66**
Expected life (years)	3.80	**3.80**
Expected volatility	43%	**43%**
Expected dividends	2.20	**2.20**

Outstanding and exercisable options at March 31, 2000 are:

	Outstanding and exercisable
Range of exercise prices	Rs.110 to Rs.146
Number outstanding	305,500
Weighted average exercise price	Rs. 136

20. Segment information and geographic data

At March 31, 2000, the Company operated in the following two business segments:

(a) Pharmaceuticals - revenues are derived from selling products in the following categories: prescription and over-the-counter formulations; diagnostics, including both laboratory and patient care; biotechnology; and Vitamin A products, including finished products and premixes. Formulations are sold in categories such as anti-infectives, cardiovasculars, nutritionals, central nervous system, anti-diabetes, respiratory, analgesics and gastrointestinals. The diagnostics division markets and distributes products that aid users in diagnosing medical conditions in both in-home and laboratory settings. Biotechnology products are generally high technology formulations used to treat critical care patients such as cancer and AIDS patients.

(b) Glass - revenues are derived from selling glass containers for high quality applications such as packaging pharmaceutical and cosmetic products. Products include soda lime amber glass bottles used for packaging liquids and syrups and borosilicate vials used for packaging injectibles, anti-infectives and eye drops. Sales are made to leading domestic pharmaceutical manufacturers and multinational pharmaceutical manufacturers participating in the Indian market.

Each separately managed segment offers different products requiring different marketing and distribution strategies. The bulk drugs business that is reported as a discontinued operation was viewed and managed as a separate reportable segment prior to disposal in March 2000.

The results of each business segment are set out below:

						Year ended March 31,
		Pharmaceuticals			Glass	
	1999	**2000**	**2000**	1999	**2000**	**2000**
External customer revenue	Rs.3,713	**Rs.4,214**	**US$.96.54**	Rs.1,448	**Rs.2,033**	**US$46.58**
Revenue from transactions with other operating segments	—	—	—	64	**62**	**1.42**
Interest revenue	209	**222**	**5.09**	—	—	—
Interest expense	356	**339**	**7.77**	299	**355**	**8.13**
Depreciation and amortization	151	**180**	**4.12**	196	**262**	**6.02**
Segment result	Rs.334	**Rs.379**	**US$8.68**	Rs.121	**Rs.165**	**US$3.78**

The list of certain assets of each business segment is set out below:

						Year ended March 31,
		Pharmaceuticals			Glass	
	1999	**2000**	**2000**	1999	**2000**	**2000**
Investments and equity method investees	Rs.354	**Rs.426**	**US$9.76**	Rs. —	**Rs.18**	**US$0.41**
Property, plant and equipment	1,582	**1,808**	**41.42**	3,295	**4,006**	**91.78**
Current assets	2,026	**2,218**	**50.81**	1,117	**1,756**	**40.23**
Goodwill and other Intangibles	862	**1,169**	**26.78**	—	—	—
Total	Rs.4,824	**Rs.5,621**	**US$128.77**	Rs.4,412	**Rs.5,780**	**US$132.42**

A reconciliation of the Company's business segments' net sales and income before income tax, minority interests and equity in earnings of affiliates to the respective information in the consolidated financial statements is as follows:

						Year ended March 31,
		Net Sales		Income before income tax, minority interests and equity in earnings of affiliates		
	1999	**2000**	**2000**	1999	**2000**	**2000**
Pharmaceuticals	Rs.3,713	**Rs.4,214**	**US$ 96.54**	Rs.334	**Rs.379**	**US$8.68**
Glass	1,512	**2,095**	**48.00**	121	**165**	**3.78**
Inter segment elimination	(64)	**(62)**	**(1.42)**	—	—	—
Total	Rs.5,161	**Rs.6,247**	**US$143.12**	Rs.455	**Rs.544**	**US$12.46**

A reconciliation of the Company's business segments' total assets to the respective information in the consolidated financial statements is as follows:

	Year ended March 31, Total Assets		
	1999	**2000**	**2000**
Pharmaceuticals	Rs.4,824	**Rs.5,621**	US$128.77
Glass	4,412	**5,780**	**132.42**
Discontinued operations	451	—	—
Total	Rs.9,687	**Rs.11,401**	**US$261.19**

Geographic distribution

The business operations of the Company are largely concentrated in India. Production activities outside of India are restricted to Ceylon Glass Company Limited, a subsidiary of Gujarat Glass Limited, which manufactures glass containers. During the year ended March 31, 2000, Ceylon Glass Company Limited reported revenues of Rs. 383 million (US $ 8.77 million) and profit after tax of Rs. 13 million (US $ 0.30 million).

During the years ended March 31, 1999 and 2000 domestic net sales were Rs.5,061 million and Rs.6,089 million (US$139.50 million), respectively and export sales principally to South-East Asia, Africa and the Middle East were Rs.100 million and Rs.158 million (US$3.62 million), respectively.

21. Commitments and contingencies

The Company is obligated under a number of committed capital contracts to purchase property, plant and equipment. At March 31, 2000 the estimated amount of contracts remaining to be executed was Rs.143 million (US$ 3.28 million).

The Oil and Natural Gas Corporation had, in 1987, claimed a retroactive price increase on its supply of gas between 1979 and 1987. The claim amounted to Rs. 24 million in arrears for this period, along with the interest thereon. The Company, as a member of the Association of Natural Gas Consumers Industries of Gujarat, contested the price increases. In 1993, the Supreme Court of India ruled that the price increase was valid, but remained silent as to the associated interest. The Company paid the principal price increase but has continued to contest the interest which, at March 31, 2000 amounts to approximately Rs.218 million (US$5.00 million). The case is currently pending with the Supreme Court of India and the Company expects a favorable ruling by the court.

There are a number of tax demands against the Company, as summarized below:

	Year ended March 31,		
	1999	**2000**	**2000**
Income tax disputes	Rs. 43	**Rs. 18**	**US$0.41**
Sales tax disputes	10	**12**	**0.27**
Excise duty disputes	11	**29**	**0.66**

The Company has appealed against the above assessments before the various appellate authorities. Sales tax disputes relate to local and central sales tax assessments. Excise duty disputes relate mainly to excise rate disputes and the incidence of excise duty liabilities. The Company does not expect any material incremental liability in respect of any of the above matters.

The Company does not maintain business interruption insurance or product liability insurance, but plans to periodically review the potential future product liability risk and cover such exposure, if warranted.

The Company has provided certain guarantees to Government authorities, banks and public limited companies including performance guarantees aggregating to Rs. 624 million and Rs. 353 million (US$8.08 million) at March 31, 1999 and 2000, respectively. The amount of Rs. 353 million, at March 31, 2000, includes Rs.330 million in respect of corporate guarantees executed in favor of various banks on behalf of SPPL. These guarantees relate to term loans taken by SPPL from various banks. In addition to the principal amount of Rs. 330 million, the interest accruing thereon at the rate stipulated in the loan agreements is also guaranteed.

22. Retirement benefits

The Company's contributions to various retirement plans are as follows:

	Year ended March 31,		
	1999	**2000**	**2000**
Gratuity	Rs.13	**Rs.13**	**US$0.30**
Superannuation	13	**17**	**0.39**
Provident fund	33	**38**	**0.87**

In respect of the employees of Gujarat Glass Limited, the gratuity is accrued on the basis of actuarial valuation. The liabilities are unfunded. The details of the actuarial valuation is given below:

	Year ended March 31,		
	1999	**2000**	**2000**
Service cost	Rs.1	**Rs.3**	**US$0.07**
Interest cost	1	**4**	**0.09**
Net amortization	—	**6**	**0.14**
Net periodic pension expense	Rs.2	**Rs.13**	**US$0.30**

The weighted average actuarial assumptions for the plan are as follows:

	Year ended March 31,	
	1999	**2000**
Discount rate	12%	**12%**
Compensation increase	6%	**6%**

Changes in the benefit obligation is as follows:

	1999	**2000**	**2000**
Benefit obligation at beginning of year	Rs.5	**Rs.7**	**US$0.16**
Benefit obligation taken over on acquisition	—	**29**	**0.66**
Net periodic pension expense	2	13	**0.30**
Benefits paid	—	**(6)**	**(0.14)**
Benefit obligation at end of year	Rs.7	**43**	**US$0.98**

23. Financial instruments

The Company has entered into foreign exchange forward contracts to offset foreign currency risks arising from accounts payable and foreign currency loans denominated in currencies other than the Indian rupee, primarily the US dollar, Euro and Swiss franc. The counterparty to the Company's foreign currency forward contracts is generally a major financial institution. The Company considers the risks or economic consequences of non-performance by the counterparty to be immaterial.

Foreign exchange losses in the years ended March 31, 1999 and 2000 were Rs.60 million and Rs.21 million (US$0.48 million), respectively. The table below summarizes, by currency, the contractual amounts of the Company's open foreign exchange forward contracts at March 31, 1999, and 2000, respectively.

Year ended March 31,	Type of contract	Currency	Contract amount (in thousands)
1999	Buy	US$	16,400
2000	Buy	US$	4,000
2000	Buy	Swiss francs	1,564
2000	Buy	Euro	500

All the above contracts mature within one year.

The carrying value of cash and cash equivalents, trade and other receivables and accounts payables are a reasonable estimate of their fair value due to the short term nature of these instruments. The fair values of fixed rate borrowings are estimated using the expected future cash flows discounted at market interest rates. Fair values of the forward contract are based on market estimates.

The following table presents the carrying amounts and fair values of the Company's financial instruments outstanding at March 31, 1999 and 2000. The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidated sale.

At March 31,

	Carrying amount	1999 Fair value	**Carrying amount**	**2000 Fair value**	**Carrying amount**	**2000 Fair value**
Financial assets :						
Cash and cash equivalents	Rs.328	Rs.328	**Rs.550**	**Rs.550**	**US$12.60**	**US$12.60**
Available-for-sale securities	15	15	**10**	**10**	**0.23**	**0.23**
Trade accounts receivable	1,179	1,179	**1,453**	**1,453**	**33.29**	**33.29**
Financial liabilities :						
Accounts payable	766	766	**732**	**732**	**16.77**	**16.77**
Short-term borrowings	1,139	1,139	**2,158**	**2,158**	**49.43**	**49.43**
Long-term borrowings	Rs.2,823	Rs.2,633	**Rs.2,734**	**Rs3,995**	**US$62.64**	**US$91.52**
Foreign currency forward contracts						
– US dollars	16.4	16.4	**4.0**	**4.0**	—	—
– Swiss Francs	—	—	**1.6**	**1.6**	—	—
– Euro	—	—	**0.5**	**0.5**	—	—

24. Earnings per share

The following table sets forth the computation of basic and diluted earnings/(loss) from continuing and discontinued operations:

(millions, except per share data)	Year ended March 31,		
	1999	**2000**	**2000**
Income from continuing operations	Rs. 301	**Rs. 425**	**US$9.74**
Discontinued operations	(90)	**(46)**	**(1.06)**
Net income	Rs. 211	**Rs. 379**	**8.68**
Weighted average number of shares outstanding – basic	26,932,343	**28,457,938**	**28,457,938**
Potential dilutive common shares - warrants	6,167,462	**5,075,105**	**5,075,105**
Potential dilutive common shares – stock options	204,404	**217,500**	**217,500**
Weighted average number of shares outstanding – dilutive	33,304,209	**33,750,543**	**33,750,543**
Basic earnings per share			
Continuing operations	11.18	**14.93**	**0.34**
Discontinued operations	(3.34)	**(1.62)**	**(0.04)**
Net income	7.84	**13.31**	**0.30**
Diluted earnings per share			
Continuing operations	9.04	**12.59**	**0.29**
Discontinued operations	(2.70)	**(1.36)**	**(0.03)**
Net income	6.34	**11.23**	**0.26**

For the purposes of determining the impact of dilution, the warrants and stock options are assumed to have been exercised at the beginning of the period and the funds obtained from such exercise used to purchase common stock at the average market price for the period.

25. Related party transactions

a. **Loans and advances**

The Company has been granting and receiving loans and advances to and from affiliates and other related parties.

The maximum amount lent during the years ended March 31, 1999 and 2000 was Rs. 882 million and Rs. 1,195 million (US $27.37 million), respectively. The amount receivable at March 31, 1999 and 2000 was Rs. 15 million and Rs. nil, respectively. The loans carried an interest rate in the range of 16.5% to 17.5%, which is significantly above the average rate paid by the Company on third party borrowings.

The amount received during the years ended March 31, 1999 and 2000 was Rs. 2 million and Rs. 63 million (US $ 1.44 million), respectively. Such loans and advances were at interest rates in the range of 11.0-12.5%, which is significantly below the average rate paid by the Company on third party borrowings.

b. **Joint Ventures**

The Company has entered into a number of joint ventures for the manufacture and sale of pharmaceutical formulations at pre-determined prices which are periodically subject to renegotiation. During the years ended March 31, 1999 and 2000, the Company sold Rs. 283 million and Rs. 429 million (US $ 9.83 million), respectively, worth of formulations under these agreements.

In addition, as part of the joint venture arrangements, the Company provides support for the joint venturers' products through its field personnel. The Company has invoiced Rs. 14 million and Rs. 39 million (US $ 0.89 million) to the equity investees in respect of these services for the years ended March 31, 1999 and 2000, respectively.

The Company has entered into a distribution agreement with Boots Piramal Healthcare Limited ("BPH"), a 40% equity affiliate, for distributing BPH's products. Under the agreement, the Company buys products from BPH and uses its distribution capabilities to distribute these products in various markets. Upon purchase of these products from BPH, the risk and title to these goods passes to the Company. The Company made aggregate purchases during the years ended March 31, 1999 and 2000 of Rs. 65 million and Rs. 172 million (US $ 3.94 million), respectively.

c. **Information Technology ("IT") Support**

The Company has entered into a contract with Morarjee Goculdas Spinning and Weaving Company Limited, an entity controlled by Mr. Ajay G. Piramal, for obtaining IT related support and services. The total amount paid by the Company in this regard during the years ended March 31, 1999 and 2000 was Rs. 21 million and Rs. 25 million (US $ 0.57 million), respectively.

d. **Sale of shares in Piramal Enterprises Limited ("PEL")**

In November 1999, the Company sold its 48% equity interest in PEL to four companies, all controlled by Mr. Ajay G. Piramal, who each took a 12% equity interest in PEL, for an aggregate consideration of Rs.24.49 million. This resulted in a loss on disposal of Rs.14 million which is included in the consolidated statement of income.

e. **Acquisition of intangibles**

In March 2000, the Company acquired patents and trade-marks from GHPL for Rs. 50 million.

26. Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulleting No.101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 outlines the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company has evaluated the requirements of SAB 101 and believes that there will be no material impact on the Company's consolidated financial statements.

In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities – deferral of the effective date of FASB Statement No.133. This pronouncement requires us to adopt SFAS No.133, Accounting for Derivative Instruments and Hedging Activities on April 1, 2001. SFAS No.133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and measure them at fair value. The Company is currently evaluating the impact that the adoption of SFAS No.133 will have on the financial position, results of operations and on cash flows.

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