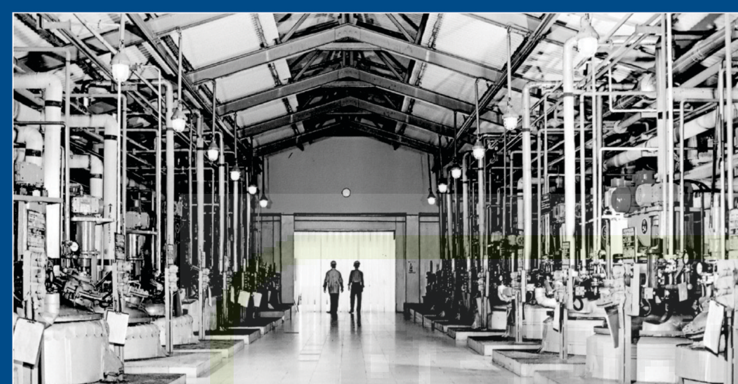

A view of the new API plant near Hyderabad, India

Nicholas

NICHOLAS PIRAMAL INDIA LIMITED
100 Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
Tel. (91 22) 56636666 Fax. (91 22) 24163787

NICHOLAS PIRAMAL INDIA LIMITED

ANNUAL REPORT 2002-2003

Nicholas

NICHOLAS PIRAMAL INDIA LIMITED
ANNUAL REPORT 2002-2003

THE BOARD OF DIRECTORS

Ajay G. Piramal, Chairman
G. P. Goenka
C. M. Hattangdi
Rajesh Khanna
Y. H. Malegam
Dr. Swati A. Piramal, Director - Strategic Alliances & Communications
Urvi A. Piramal
S. Ramadorai
R. A. Shah
Vijay Shah, Chief Operating Officer
Deepak Satwalekar
M. R. Shroff
N. Vaghul
S. Venkitaraman
Dr. William Jenkins

Auditors
Price Waterhouse, Mumbai.

Solicitors
Crawford Bayley & Co.

Bankers
Allahabad Bank
Oriental Bank of Commerce
Corporation Bank
Deutsche Bank
Bank of America
Citibank N.A.
HDFC Bank
Standard Chartered Bank
Credit Lyonnais
UTI Bank
IDBI Bank
State Bank of Hyderabad

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

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

NICHOLAS PIRAMAL INDIA LIMITED

NICHOLAS PIRAMAL INDIA LIMITED

Subsidiary Companies

Name of the Company	Registered Office
Gujarat Glass Pvt. Ltd.	100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
Ceylon Glass Company Ltd.	148, Maligawa Road, Borupana, Ratmalana, Columbo, Sri Lanka.
GG USA Inc.	152 West 57th Street, 26th Floor, NewYork, NY 10019.
Drs. Tribedi & Roy Diagnostic Laboratories Pvt. Ltd.	100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
NPIL- Dr. Phadke Pathology Laboratories & Infertility Centre Pvt. Ltd.	100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
NPIL- Dr. Golwilkar Laboratories Private Limited	100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
NPIL Fininvest Pvt. Ltd.	Administrative Building, Morarjee Mills Compound, Dr. Ambedkar Road, Parel, Mumbai 400 012.
Piramal International	Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius.

Joint Ventures

Name of the Company	Registered Office
Sarabhai Piramal Pharmaceuticals Pvt. Ltd.	Administrative Building, Morarjee Mills Compound, Dr. Ambedkar Road, Parel, Mumbai 400 012.
Allergan India Pvt. Ltd.	9th Floor, North Building, Manipal Centre, 47 Dickenson Road, Bangalore 560042.
Boots Piramal Healthcare Pvt. Ltd.	100, Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.

General Shareholder Information

Registered Office	100 Centrepoint, Dr. Ambedkar Road, Parel, Mumbai 400012.
Listing of Equity Shares on Stock Exchanges	The Stock Exchange, Mumbai (code 500302) National Stock Exchange (code NICOLASPIR) Ahmedabad Stock Exchange (code NICOLLAB)
Registrar and Transfer Agents Nasik Processing Unit	Amtrac Management Services Ltd. Plot No.101/102, MIDC, Satpur, Nasik 422007. Tel.: (0253) 2354032 / 2351892 Fax: (0253) 2351126 E-Mail : amtrac_nsk@sancharnet.in
Mumbai Administrative Office	Amtrac Management Services Ltd. Administrative Building, Morarjee Mills Compound, Dr. Ambedkar Road, Parel, Mumbai 400012. Tel : (022) 24105685 / 24130021 E-Mail : vidula@bom3.vsnl.net.in

Plant Locations

- Plot No. 67-70, Sector II, Pithampur 454 775, M.P.
- Plot No.K-1, Additional M.I.D.C, Mahad, Dist. Raigad, Maharashtra.
- L.B.S. Marg, Mulund (West) , Mumbai 400 080.
- Balkum, Thane 400 608.
- C-301/1, TTC,MIDC Industrial Estate, Village Pawane, Navi Mumbai.
- Ennore Express Highway, Chennai 600 057.
- Digwal Village, Medak District, Andhra Pradesh.

Investor Correspondence

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

Nichols

The Vision

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

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

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

The Year at a Glance

Watershed Year

- Gross Sales in excess of Rs. 10 billion. (Rs. 11.4 billion)
- Net Profit in excess of Rs. 1 billion. (Rs. 1.18 billion)
- Dividends in excess of 100%. (105 %)
- Debt repayment of Rs. 1.1 billion
- Margins improvement: OPBIDTA margin higher by 2.7 %
- Stronger Balance Sheet - Misc. Expenditure write-off
- Integrated ICI's Pharma business in five months

Strong Sales Growth

- Overall Company Sales 20%
- Formulations Sales 19.9 %, Excluding ICI-Pharma 12.8 %, Industry at 5.7% (ORG-MARG MAT Mar-03)
- Organic Growth: sustainability established
- Focused Divisions - field strength up by 340 to 2,134
- Doctor coverage over 75% for all relevant segments

Robust & Sustainable Export Strategy

- Acquired Global Bulk Drugs and Fine Chemicals Ltd. in January 2003
- Capabilities across the product cycle: from CCS to the mature molecule stage
- USFDA approved facility
- ROCE accretive

contents

1 NPIL

2 Subsidiary Companies

2003 OVER 2002

Rs. million

Particulars	FY2003	FY2002	% Growth
Gross Sales	11,361.3	9,464.8	20.0
OPBIDTA	1,947.5	1,402.2	38.9
OPM %	19.9	17.2	-
EPBIDTA	2,285.0	1,658.5	37.8
Interest (Net)	205.7	313.3	(34.3)
Profit before tax & exceptional items	1,844.4	1,176.3	56.8
Profit After Tax	1,181.2	482.4	144.9
Debt/equity ratio	0.8	1.2	-
ROCE %	31.3	29.9	-
RONW %	32.4	19.2	-
EVA	1,200.5	476.0	-
EPS (Rs.)	31.0	12.7	-
Book value (Rs.)	95.7	65.9	-

A Letter from the Chairman

The financial year 2002-03 (FY03) has been good for our Company. The dominant theme for us has been growth, both topline and bottomline, through a relentless striving to break performance and efficiency barriers. We've also built capabilities across new business areas like exports and have significantly strengthened our R&D.

I am especially pleased with our performance as it validates our strategy in an extremely challenging environment for the Indian pharmaceutical industry. In the recent past, the industry has witnessed sub-par growth. The reasons for this are quite well known. Price erosion across several therapeutic areas has been driven by competitive compulsions. Regional players and generic competition have aggravated the price wars, as has the need to launch pre-1995 molecules before the year 2005 deadline. Growth has been primarily driven by a frenzy of new product launches in the run up to the 2005 deadline. All these factors impacted the industry and slowed growth in value terms, despite some volume growth.

We, however, weathered the storms well, with a strong brand and marketing strategy and sound cost management practices.

We firmly believe in our domestic market focus. The rising levels of penetration across the Indian market, higher income levels, the aging population and, the spread of education and awareness will create the demand for innovative therapies, effectively sustaining domestic industry growth in the longer-term.

We believe that our brand and marketing strategies will drive penetration and our market share growth across the Indian market, and together with our focus on costs, will accord us superior returns over the medium term. Our track record of strong relationships with the global pharmaceutical majors will see us access global pipelines in the medium term that will provide us with new products that can be leveraged intensively across our domestic network.

The critical question for Indian pharmaceutical companies will be not whether they will develop strategies for alliances with global pharmaceutical majors, but how strong and mature each player's alliance management capability is. This capability will ultimately determine the success of an alliance strategy. As potential partners our alliance track record and skills are second to none.

We have also put into place a sustainable export strategy that capitalizes on our technology capabilities and is in consonance with our in-licensing strategy. While we do not intend actively competing with the global pharmaceutical majors through patent challenges in the regulated markets, we will focus on partnering these companies and innovator companies through each step of the value chain — from the custom chemical synthesis stage to the mature molecules stage — across the regulated markets.

These markets, viz. North America, Europe and Japan, accounted for 88% of audited worldwide pharmaceutical sales in 2002, with North America the strongest performer, growing 12% at a constant dollar rate to reach US $ 203.6 billion, according to IMS. The global outsourcing market for 2002 was estimated at US $ 7 billion with the largest percentage coming from these three markets.

We are broadening our R&D skills from NCEs to NDDS and increasing our investments in this area, besides augmenting our skills in formulations development. This, we believe, will not only be critical to our export strategy in the short-to-medium term, but will provide us with a pipeline of our own products in the longer-term.

We also expect that in the medium-to-long term, the pharmaceutical industry will not be a mere provider of formulations. It will also sell a spectrum of preventive and therapeutic healthcare products that include vaccines, diagnostic tests, drugs, monitoring devices and mechanisms. This is a key element of our strategy today, with our focus on Vitamins, Diagnostics and Pathlabs, and will add to our range of options in the years to come.

The next few years will create several challenges and opportunities pre-and-post the introduction of the WTO Protocol in 2005, though any meaningful impact of the Protocol will be felt only with a time lag of 2-3 years.

We expect FY04 to be better for the Indian economy, as consumption-led demand and a modest pick-up in investments sustain the ongoing recovery in industrial production. Our company, with our brand marketing, distribution and cost efficiencies, is clearly well poised to manage growth and the competition in the pharmaceutical industry.

Finally, I would like to assure our shareholders and stakeholders that we are committed to our vision of being the most admired pharmaceutical company in India. With your continued support and encouragement, and the strong professionalism, talent and commitment of all my colleagues, I am sure that Nicholas Piramal India Limited will undoubtedly scale greater heights of leadership, success and prosperity in the years to come.

Thank you

Ajay G. Piramal

Our Strategy & the Future

Nicholas Piramal India Limited has put into place key capabilities that should, in the next few years, make us a leader in the domestic pharmaceuticals market and a substantial player in the export market.

Our Company's medium-term business model envisages achieving leadership in the domestic pharmaceuticals market, and building a strong international business around our core strengths in technology, marketing and manufacturing. We have built and demonstrated our ability to grow organically, and build brands and leadership in markets characterized by intense competition.

The domestic market is of significance since it represents the base on which a long-term global business model can be built. India represents a sixth of humanity. Although buying power and pharmaceuticals penetration is currently lower than some of the more developed markets, it is expected to grow significantly in the years to come. Hence, a continued focus on the domestic pharmaceuticals market will be vital to all industry players, and the opportunities for growth will increase.

In the domestic market the critical issues, over the next 3-5 years, will be the challenges and opportunities that will emerge during the transition period pre-and-post the introduction of the WTO protocol in 2005. The hurdles for the Indian pharmaceuticals industry, post-2005, include challenges on the Intellectual Property Rights front and a tightening of product registration procedures in the domestic and overseas markets. This will be a cause for concern for product pipelines in India. Some other significant factors impacting the market include the emergence of corporatization in health care facilities, the growth of the health insurance sector, deeper rural penetration, the development of a strong OTC market and the gradual marginalisation of the DPCO.

We are well positioned to leverage the opportunities and manage the challenges that will arise in the domestic market. Our sales and distribution network is among the largest in the country. The restructuring of our product portfolio into primary, secondary and tertiary brands in FY02, has helped grow our Formulations business at above industry growth rates. New products have a sharper focus with a specialized management team looking into opportunities and launches. We believe that our strategy of alliances and in-licensing will obtain us access to products and brands that will provide us with a robust product pipeline in the medium term. Our increasing commitment to R&D, both for NCEs and New Drug Delivery Systems gives us confidence that these will be key drivers of our growth in the longer-term.

Our Company's medium-term business model envisages achieving leadership in the domestic pharmaceuticals market, and building a strong international business around our core strengths in technology, marketing and manufacturing.

We believe that in the post 2005 era, the Indian pharmaceuticals industry will consolidate through M&A. Our Company has developed considerable expertise in integrating its Mergers and Acquisitions quickly, in a manner that enhances both revenue and skill sets, while building core competencies for the future. Our Company completed the integration of its acquisition of the erstwhile pharmaceuticals business of ICI India Ltd. in a record time of five months. This entailed integrating the manufacturing, supply chain and the marketing infrastructure of the business and achieved considerable efficiencies for us.

We will selectively look into M&A opportunities as they arise. Any M&A will be done only if there is a clear and demonstrable value proposition that is sustainable over the longer term.

In the regulated markets legal issues and regulatory compliances can create high, even punitive, risk levels in the pharmaceuticals business and need to be evaluated carefully. On the export front, various non-tariff barriers on pharmaceuticals could prevent competition from cost-effective countries such as India, especially in price sensitive commodity exports.

We will focus on a business model that is both de-risked and capitalizes on technology intensive products as opposed to price sensitive commodities and maximizes our opportunity across the value chain. Our export strategy should provide us with a strong earnings upside and free cash flow in the years to come. The amalgamation of Global Bulk Drugs and Fine Chemicals (GLOBAL) with our company, (effective 01 January 2003), provided us with the core platform to emerge as a competitive APIs' player in developed markets for both on-patent and off-patent molecules. The GLOBAL plant is among the few in India that has a US FDA Facility approval.

We believe that in the last few years we've built a strong foundation on which we can base a sustainable long-term growth.

The Year under Review

Nicholas Piramal India Ltd. (NPIL) is reaping demonstrable benefits from the strategic restructuring that was put into place in the year 2001. Our performance validates the strategy that was put into place two years ago. We have completely integrated all our acquisitions and realized considerable efficiencies. We have put into place strong brand and brand life-cycle management systems designed to derive competitive advantages in one of the most challenging pharmaceutical markets in the world, and have grown organically.

We have registered Gross Sales of Rs. 11.4 billion representing an increase of 20.0 % over the previous financial year (FY02). On a comparable basis, if the sales of the 'Cardex' division (the erstwhile pharmaceuticals division of ICI India Limited) and sales of GLOBAL (which was merged with the Company effective January 1, 2003), were excluded, the gross sales growth would be 11.0 %.

An Analysis of Gross Sales Rs. million

For the year ended 31 March	% Total	2003	2002	% Growth
Domestic				
Formulations	77.8	8,833.1	7,365.0	19.9
Generics	4.8	543.8	686.6	(20.8)
APIs	0.4	50.9	-	-
Vitamins & Fine Chemicals	7.2	822.2	616.8	33.3
Diagnostics & Patient Care	6.3	713.1	703.3	1.4
Others	0.0	2.8	63.9	-
Total	96.5	10,965.9	9,435.6	16.2
Exports				
Formulations	1.9	212.7	-	-
APIs	1.2	135.6	-	-
Vitamins & Fine Chemicals	0.1	14.4	-	-
Generics	0.3	32.7	29.3	11.6
Total	3.5	395.4	29.3	-
Grand Total	100.0	11,361.3	9,464.9	20.0

Note ▪ Sales for FY02 include Sales of the Pharmaceuticals Division of ICI India Limited for the month of March 2002 of Rs. 37.2 million ▪ Sales for FY03 include Sales of GLOBAL for the three months ended 31 March 2003 at Rs.186.5 million.

Operating Profit Before Interest, Depreciation and Tax (OPBIDTA) was Rs. 2.0 billion, growing 38.9 % over FYO2. The amalgamation of GLOBAL with our company gave us the opportunity to avail of a tax break of Rs. 264.5 million. We strengthened our balance sheet by fully writing off the unamortized deferred revenue expenditure, by taking an exceptional charge of Rs. 340.0 million out of the Profits of FY03. As a result, Profit After Tax and Extraordinary Items stood at Rs. 1.2 billion for FY03, an increase of 144.9 % over the previous financial year (FY02: Rs. 482.4 million).

There has been a continuous reduction in interest burden over the last 12 months owing to substantial debt repayment and the substitution of high cost with lower cost debt. For the year under review, net interest has come down 34.3 %, to Rs. 205.8 million. On the other hand, depreciation charges have increased to Rs. 234.9 million from Rs. 168.9 million in FY02 (an increase of 39.1 %) owing to the capitalization of ICI brands in FY02, the acquisition of the assets of the erstwhile GLOBAL and the augmentation of the Haemaccel facilities set up during the year.

On a YoY basis, our domestic Formulations, which contribute to 77.8 % of total sales, have grown 19.9 % over the previous financial year. Similarly, the sales of the Vitamins & Fine Chemicals (VFCD) division, (our second largest division), stood at Rs. 836.6 million – a growth of 35.6 % in value terms. The Diagnostics and Patient Care division registered sales of Rs. 713.1 million – a growth of 1.4 % over FY02.

Our performance validates the strategy that was put into place two years ago. We have put into place strong brand and brand life-cycle management systems and have grown organically.

Formulations

Our Formulations business has outperformed industry during the year under review. The total domestic formulations growth was 19.9%. Excluding the sales gained by the acquisition of the erstwhile pharmaceutical division of ICI India Ltd, the Formulations business grew 12.8% against an industry growth rate (ORG MARG-MAT, March 2003) of 5.7 %.

MANAGEMENT DISCUSSION & ANALYSIS

Through 2002-03, the Indian industry has witnessed a sluggish growth. Volume growth has somewhat offset price erosions and most of the growth has come from new product introductions. The commoditization of the market has mainly impacted segments like Anti-infectives.

During the year under review our Company has grown market share through a combination of new products, innovative selling and brand management. The composition of our sales growth in the formulations business validates the success of the marketing distinctiveness strategy that is now in place. We have grown faster than the market in seven of the nine main therapeutic areas of our presence. Products under the Drug Price Control Order (DPCO) now contribute to 11 % of our sales in FY03, against 19 % in FY02.

Composition of Formulations Growth

Particulars	Rs. million	Growth% Sub-total	Growth% Total
Domestic branded formulation sales - FY02	7,365.0		
Inorganic growth			7.1
- Erstwhile ICI-Pharma products	522.4	7.1	
Organic growth			12.8
- New Products	640.0	8.7	
- Others	305.7	4.1	
Domestic branded formulations sales - FY03	8,833.1		19.9

Note ▪ Branded Formulations Exports are mainly from the erstwhile ICI portfolio of products. These exports aggregated to Rs. 212.7 million in FY03. The total branded formulation sales aggregated to Rs. 9045.8 million. ▪ New Products Sales are for products launched in FY03 and FY02.

Our aggressive new launches and our focused efforts to grow in the high growth lifestyle segments have reduced our exposure to segments like Anti-infectives. The CVS, CNS, Oncology and Anti-Diabetic segments constitute the fastest growing TAs in the market. These four segments put together now comprise 30.4 % of our portfolio in FY03, against 24.5 % in FY02 as per ORG-MARG March 03.

Therapeutic Area (TAs)

TAs	Company Sales FY03	Company Sales Growth %	ORG MAT MAR - 03 Market Growth%	ORG MAT MAR - 03 NPIL Growth%	ORG MAT MAR - 03 NPIL MS%
1 Respiratory	1,977.9	11.1	5.6	10.2	4.7
2 Anti-Infective	902.6	0.6	(0.2)	(11.5)	2.6
3 Nutritionals	681.4	3.6	4.4	17.9	1.8
4 CVS	920.2	45.9	12.4	3.3	6.3
5 Gastro Intestinal	423.7	5.2	7.5	8.6	3.0
6 Biotek	706.4	27.0	-	-	-
7 CNS	828.5	16.8	13.4	15.4	5.6
8 Anti-Diabetic	342.6	27.8	20.3	22.2	3.6
9 NSAIDs	285.4	40.9	5.6	16.9	3.0
10 Dermatology	323.3	42.8	3.7	18.2	2.6
11 Others	1,441.1	39.4	-	-	-
Total Formulations	8,833.1	19.9	5.7	7.2	3.4

Rs. Million

We have focused on being 'early to market' (among the first five to launch) in most product categories and have launched 21 new products during the year under review, 14 of them in high growth therapeutic segments such as Anti-Diabetics, Anti-Depressants and the Cardio-Vascular segment (CVS). Of the new products launched, 18 were 'early to market'.

These brand launches and the CVS

Our Company has grown market share through a combination of new products, innovative selling and brand management. We have grown faster than the market in seven of the nine main therapeutic areas of our presence.

brands acquired through the erstwhile pharma division of ICI Ltd. bridge gaps in our portfolio, improving the growth prospects of the Formulations division in the coming years.

In-licensing and Alliances remain an important component of our strategy for the near to medium term. Given its importance in our strategy, our company has a dedicated management team to source new product and alliances opportunities, both domestically and globally. We have launched 35 new products over the last two years and these new launches are among the key drivers of our growth. Products launched during the last 2 years now contribute to 7.3 % of our domestic branded Formulation sales.

Top-10 Products Introduced in FY03 Rs. million

No.	Brand	Molecule	Therapeutic area	Sales Rs. million	Market Rank - Mar 03
1	Gluformin XL	Metformin SR	Anti Diabetic	19.1	-
2	Piozone M	Pioglitazone + Metformin	Anti Diabetic	15.9	3
3	Valance	Divalproex	CNS	7.1	8
4	LMWX	Enoxaparin	CVS	66.6	6
5	Upbeat	Co-enzyme Q10 + Vitamin E	CVS	11.7	5
6	Lerka	Lercanidpine	CVS	7.0	2
7	Vah	Valdecoxib	NSAIDS	65.7	3
8	Supractiv	Multivitamin + Minerals	Nutritionals	31.7	1
9	Airitis/Xevor*	Levocetrizine	Respiratory	14.4	1
10	Monti	Montelukast	Respiratory	14.4	5
	Subtotal			253.6	
	Others			41.5	
	Total			295.1	

Note ▪ New products above refer to new molecules and line extensions introduced ▪ *Refers to the Market Rank of the Molecule.

Top-10 Products launched in FY02

No.	Brand	Molecule	Therapeutic Area	Sales Rs. million FY02	Sales Rs. million FY03	Market Rank Mar-03
1	Gluspan	Multivitamin+Minerals	Anti Diabetic	12.3	27.0	6
2	Piozone	Pioglitazone	Anti Diabetic	30.6	34.0	4
3	Gatri/Gres*	Gatifloxacin	Anti Infective	64.1	132.3	2
4	Zetalo	Citalopram	CNS	6.3	22.8	3
5	Stromix	Clopidogrel	CVS	18.0	25.6	10
6	XARB	Irbesartan	CVS	15.4	27.31	1
7	Orthobid MR	Nimesulide + Tizanidine	NSAIDS	11.6	16.9	6
8	Orthobid Plus	Nimesulide + Serratiopeptidase	NSAIDS	12.5	26.4	10
9	Phenergan Plus	Promethazine + Paracetamol	Respiratory	4.3	3.9	6
10	Trustyl	Terbutaline + Ambroxol+Guaiphensin	Respiratory	5.2	13.9	5
	Subtotal			180.3	330.1	
	Others			29.0	15.0	
	Total			209.3	345.1	

Note ▪ Sales in FY02 pertain to Sales in the year of launch. ▪ Sales in F03 pertain to corresponding sales of the product in FY03 ▪ *Refers to the Market Rank of the Molecule.

During FY02, our company had undertaken a product rationalization strategy in order to weed out low performing products with poor growth potential. As a result, our existing products had been classified as primary, secondary and tertiary, in order to allocate managerial time and resources optimally. This strategy is helping us reshape our portfolio and focus on growth.

Field Forces

Our company's Formulations field force of 1938-personnel is among the largest in the Indian industry. Our SBU-led management structure, with the IT-enabled field forces dedicated across key therapeutic areas, enables us to respond swiftly to opportunity across market.

Within the Formulations division we have sharpened the focus on disease areas by creating specialist field forces that give us more than 75 % coverage of all key doctor segments. Each high growth area like Cardiovascular, Diabetes, Central Nervous System, Gynaecology, Dermatology, and Oncology now have a dedicated field force that is highly trained. Our multi-specialty approach to mass consumption brands and products, which require considerable reach and penetration across the country, has enabled us to derive considerable advantages from our skill, scale and size.

We also utilize a skilled franchisee field force to enhance our presence in the market by promoting older brands with high growth potential in non-urban markets. These field forces are not employees of our company.

Our company's Formulations field force of 1938-personnel is among the largest in the Indian industry. Our SBU-led management structure, with IT-enabled field forces dedicated across key therapeutic areas, enables us to respond swiftly to opportunity.

Our field force has implemented best-in-class practices, including knowledge management support for doctors. The field forces are also IT enabled to improve customer servicing capabilities. CRM investments in the field force will be augmented considerably in the coming year. We will invest in augmenting our field force to strengthen doctor coverage and sharpen our divisional focus.

The size of the field forces, and the strong training and motivation inputs that are continually provided, have enabled the company leverage scale and penetration significantly. This can be seen from the fact that despite severe competition across the market, our company has maintained its prescription trend and prices across key segments.

Field Forces

SBU		TA Focus	FY03	FY02
Multi-specialty & Institutional				
1	Multi Specialty –I	General Medicine Orthopaedic	615	605
2	Multi Specialty –II	Respiratory Paediatrics	518	400
3	Institutional	Tender business	4	10
	Sub-total (1)		1,137	1,015
Dedicated				
4	Cardex	Cardiovascular	301	155
5	Extra Care	Neuro-Psychiatry Diabetology	280	280
6	Glotek	Dermatology Gynaecology	107	80
7	Biotek	Nephrology Oncology	51	50
8	Critical Care	Anaesthesiology	62	50
	Sub-total (2)		801	615
	Total (1+2)		1,938	1,630

Material Costs and Supply Chain

During FY03, we focused on opportunities to change our product mix, which resulted in lowering our material cost. Material cost (as a % of Net Sales) was 48.9 % during the year under review as compared to 52.2 % in FY02. We also consolidated our supplier base, value engineered packing material, and worked towards substituting imported materials.

Our hub and spoke distribution system, with three hubs across India is showing good results. The company operates through a network of 21 CFAs. A state-of-the-art planning system, along with a web-based tool for sales forecasting, has also been implemented.

Research & Development

We have revaluated our priorities based on recent developments in the benchmark clinical trials results from across the world. As a result we have slowed development in two of our NCEs in CVS. We are concentrating our efforts on Diabetes, Oncology and Infectives.

The company is committing substantial new resources to strengthen R&D towards becoming more competitive and obtaining critical mass in area like pharmacokinetics and early metabolism studies, which have been found to be of enormous value in predicting the success of NCEs in clinical development.

We have filed a US patent application for one of our oncology molecules and expect this patent to be issued in the next 3-5 years, which is the normal time for this process.

We have also begun to broaden our R&D pipeline and are evaluating new technology platforms to strengthen our chances of succeeding in finalizing interesting new molecules to address unmet medical needs. We have Dr. William Jenkins, a pharmaceuticals industry veteran, to help evaluate our R&D portfolio. In addition, we are in the process of recruiting additional medical/scientific advisory board members to further augment our R&D efforts.

Exports and the Global Markets

For the year under review, our company registered export Sales of Rs. 395.4 million. Out of this, Sales aggregating Rs. 135.6 million were from the new API business stream, consequent to the amalgamation of GBDFC, effective January 1, 2003.

The company now has in place the key capabilities to emerge as a competitive player in developed markets. We are especially poised to tap the opportunities for both on-patent and off-patent APIs in the regulated markets of Europe, US and Japan. We intend to create market opportunity by partnering with innovator companies across the entire product life cycle, including the development stage.

Our capabilities in manufacturing, process development, IPR protection, business development and supply chain management will be critical to this business. These include not just high quality, low-cost dosage manufacturing, but the ability to manage costs through process innovation and the skills to aid in formulations R&D development and New Drug Delivery Systems. Our API site is USFDA approved and is best-in-class. These capabilities and, importantly, the company's track record and credibility of respecting IPR, will be critical to building a long-term de-risked export model that will provide strong cash flows in the years to come.

MANAGEMENT DISCUSSION & ANALYSIS

The company now has in place the key capabilities to emerge as a competitive player in developed markets, for both on-patent and off-patent APIs. We will partner with innovator companies across the entire product life cycle, including the development stage.

Vitamins and Fine Chemicals

Our Vitamins and Fine Chemicals Division (VFCD) recorded a robust performance for the year, with revenues at Rs. 836.6 million (Rs. 616.8 million in FY02), a growth of 35.6 % over last year.

The market continued to remain tough. Oversupply of low-cost imports was compounded by low growth rates in key user industries. However, we were able to counter these tough conditions by launching various value-added products under the "Nicomix" brand umbrella in both the Human Nutrition & Health (HNH) and the Animal Nutrition & Health (ANH) segments of the business. Customers include companies like Hindustan Lever, Nestle and Cadbury. These value added products are expected to contribute substantially to growth in the coming year.

The division also entered new business areas, such as perfumery and specialty chemicals. The production of these was stabilized during the year under review and will contribute substantially to growth in the coming year, especially in the export markets that are being targeted in FY04.

A tight control was kept on costs, and production processes were made more efficient. On the marketing front, technical detailing and customer service were further improved in order to meet with our goal of setting world-class customer service levels.