

WIPRO LIMITED
CONSOLIDATED BALANCE SHEET
(Rs. in 000s)

	Schedule	As of March 31,	
		2004	2003
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital	1	465,519	465,128
Share application money pending allotment		-	1,222
Reserves and Surplus	2	37,083,973	34,307,985
		37,549,492	34,774,335
Loan Funds			
Secured loans	3	947,466	525,562
Unsecured loans	4	106,565	65,449
Minority Interest		163,847	2,229
		1,217,878	593,240
Total		38,767,370	35,367,575
APPLICATION OF FUNDS			
Fixed Assets			
Goodwill on consolidation – refer note 1		5,252,357	5,007,243
Gross block	5	15,607,108	12,853,110
Less : Depreciation		7,599,478	6,330,715
<i>Net Block</i>		13,259,987	11,529,638
Capital work-in-progress and advances		1,427,285	1,011,471
		14,687,272	12,541,109
Investments	6	19,059,572	8,396,102
Deferred tax assets		486,298	465,909
Current assets, loans and advances			
Inventories	7	1,292,022	1,010,527
Sundry Debtors	8	11,896,319	8,602,642
Cash and Bank balances	9	3,242,698	4,210,079
Loans and advances	10	5,683,729	7,257,622
		22,114,768	21,080,870
Current liabilities and provisions			
Liabilities	11	9,282,317	6,333,268
Provisions	12	8,298,223	784,124
		17,580,540	7,117,392
Net Current Assets		4,534,228	13,963,478
Miscellaneous expenditure (to the extent not written off or adjusted)			977
Total		38,767,370	35,367,575

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

19

As per our Report attached

For and on behalf of the Board of Directors

For N.M. Raiji & Co.,
Chartered Accountants
J.M. Gandhi
Partner
Azim Hasham Premji
Chairman and Managing Director
Vivek Paul
Vice Chairman and Executive Officer
P. M. Sinha
Director
Suresh C. Senapaty
Corporate Executive
Vice President – Finance
V. Ramachandran
Company Secretary
B. C. Prabhakar
Director

Mumbai, April 16, 2004

Bangalore, April 16, 2004

WIPRO LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in 000s)

	Schedule	Year ended March 31,	
		2004	2003
INCOME			
Gross Sales and Services		59,111,069	43,572,657
Less: Excise Duty		760,842	707,169
Net Sales and Services		58,350,227	42,865,488
Other Income	13	1,365,995	1,181,962
		59,716,222	44,047,450
EXPENDITURE			
Cost of goods sold	14	39,091,056	27,438,729
Selling, general and administrative expenses	15	8,558,276	6,442,577
Interest	16	35,067	30,245
		47,684,399	33,911,551
PROFIT BEFORE TAXATION:			
Continuing Operations		12,031,823	10,317,484
Discontinuing Operations		-	(181,585)
Total		12,031,823	10,135,899
PROVISION FOR TAXATION: (refer note 12)			
Continuing Operations		1,680,557	1,342,752
Discontinuing Operations		-	(66,733)
Total		1,680,557	1,276,019
PROFIT FOR THE PERIOD BEFORE EXTRAORDINARY ITEMS:			
Continuing Operations		10,351,266	8,974,732
Discontinuing Operations		-	(114,852)
Total		10,351,266	8,859,880
Loss on discontinuance of ISP business	18	-	(352,195)
Tax benefit on above		-	89,503
Net loss on discontinuance of ISP business		-	(262,692)
PROFIT FOR THE PERIOD BEFORE MINORITY INTEREST / EQUITY IN EARNINGS OF AFFILIATES:			
		10,351,266	8,597,188
Minority Interest		(59,191)	(36,908)
Equity in earnings / (losses) of affiliates		22,921	(355,260)
PROFIT FOR THE PERIOD		10,314,996	8,205,020
Appropriations			
Proposed Dividend		931,039	232,564
Proposed One-Time Dividend		5,818,979	-
Total Dividend		6,750,018	232,564
Tax on distribution of Dividend		864,846	29,797
Transfer to general reserve		2,700,132	7,942,659
Earnings per share (in Rs.)			
Basic			
On profit for the period from continuing operations		44.76	38.83
On losses of discontinued ISP business		-	(0.50)
On extraordinary items		-	(1.14)
On equity in earnings of affiliates / minority interest		(0.16)	(1.70)
On profit for the period		44.60	35.49
Diluted			
On profit for the period from continuing operations		44.71	38.75
On losses of discontinued ISP business		-	(0.50)
On extraordinary items		-	(1.13)
On equity in earnings of affiliates / minority interest		(0.16)	(1.69)
On profit for the period		44.55	35.43
Number of shares			
Basic		231,290,130	231,204,325
Diluted		231,515,107	231,572,448

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

19

As per our Report attached

For and on behalf of the Board of Directors

For N.M. Raiji & Co.,
Chartered Accountants

Azim Hasham Premji
Chairman and Managing Director

Vivek Paul
Vice Chairman and Executive Officer

P. M. Sinha
Director

J.M. Gandhi
Partner

Suresh C. Senapaty
Corporate Executive
Vice President – Finance

V. Ramachandran
Company Secretary

B. C. Prabhakar
Director

Mumbai, April 16, 2004

Bangalore, April 16, 2004

WIPRO LIMITED
(Rs. in 000s, except share numbers)
SCHEDULE 1 SHARE CAPITAL
Authorised

375,000,000 (2003: 375,000,000) Equity shares of Rs 2 each

2,500,000 (2003: 2,500,000) 10.25 % Redeemable Cumulative Preference Shares of Rs 100 each

Issued, subscribed and paid-up

232,759,152 (2003: 232,563,992) equity shares of Rs 2 each

As of March 31,	
2004	2003
750,000	750,000
250,000	250,000
1,000,000	1,000,000
465,519	465,128
465,519	465,128

Notes:

Of the above equity shares:

- i) 226,905,825 equity shares (2003: 226,905,825), have been allotted as fully paid bonus shares by capitalization of Share Premium of Rs. 32,639 and General Reserves of Rs 421,173.
- ii) 1,325,525 equity shares (2003: 1,325,525) have been allotted as fully paid-up, pursuant to a scheme of amalgamation, without payment being received in cash.
- iii) 3,162,500 shares representing 3,162,500 American Depository Receipts issued during 2000 -2001 pursuant to American Depository offering by the Company.
- iv) 449,302 (2003: 254,142) equity share issued pursuant to Employee Stock Option Plan.

SCHEDULE 2 RESERVES AND SURPLUS

	As of April 1, 2003	Additions	Deductions	As of March, 31, 2004
Capital Reserves	9,500	-	-	9,500
	9,500	-	-	9,500
Capital Redemption Reserve	250,038	-	-	250,038
	250,038	-	-	250,038
Share Premium	6,492,847	239,431 (a)	-	6,732,278
	6,386,235	106,612	-	6,492,847
Translation Reserve	(568)	-	159,174	(159,742)
	-	-	568	(568)
Deferred Stock Compensation	4,401	-	4,401	-
	-	4,401	-	4,401
General Reserve	27,551,767	2,700,132 (b)	-	30,251,899
	18,814,390	8,737,377	-	27,551,767
	34,307,985	2,939,563	163,575	37,083,973
	25,460,163	8,848,390	568	34,307,985

Corresponding figures for 2003 are given below current year's figures

a) Rs. 239,431 (2003: 106,612) pursuant to issue of shares under Employee Stock Option Plan.

b) Additions to General Reserves includes:

	March 31, 2004	March 31, 2003
Transfer from profit and loss account	2,700,132	7,942,659
<u>Equity in earnings of affiliates as of March 31, 2003:</u>		
Wipro GE medicals systems private Limited	-	771,849
WeP Peripherals Ltd.	-	22,869
Total	2,700,132	8,737,377

WIPRO LIMITED

		<i>(Rs. in 000s)</i>	
	Note	As of March 31,	
	Reference	2004	2003
SCHEDULE 3 SECURED LOANS			
From Banks			
Cash credit facility	a	945,791	495,687
From Financial Institutions			
Asset Credit Scheme	b	-	28,200
Development loan from Government of Karnataka	c	1,675	1,675
		947,466	525,562

Notes:

- a. Secured by hypothecation of stock-in trade, book debts, stores and spares, and secured/to be secured by a second mortgage over certain immovable properties.
- b. Secured by hypothecation of specific machinery / assets.
- c. Secured by a pari-passu second mortgage over immovable properties at Mysore and hypothecation of movable properties other than inventories, book debts and specific equipments referred to in Note (a) above.

	As of March 31,	
	2004	2003
SCHEDULE 4 UNSECURED LOANS		
Interest free loan from State Government	104,625	64,199
Loans from state financial institutions	1,940	1,250
	106,565	65,449

(Rs. in 000s)

SCHEDULE 5 FIXED ASSETS

Particulars	GROSS BLOCK				PROVISION FOR DEPRECIATION				NET BLOCK	
	As of April 1, 2003	Additions	Deductions / adjustments	As of March 31, 2004	As of April 1, 2003	Depreciation for the period	Deductions / adjustments	As of March 31, 2004	As of March 31, 2004	As of March 31, 2003
Land	744,874	186,385	187,000	744,259	9,047	3,537	-	12,584	731,675	735,827
Buildings	2,123,840	910,594	-	3,034,434	173,707	99,370	-	273,077	2,761,357	1,950,133
Railway siding	12	-	-	12	12	-	-	12	-	-
Plant and Machinery	7,834,170	1,925,749	671,126	9,088,793	5,055,817	1,429,776	635,122	5,850,471	3,238,322	2,778,353
Furniture fixture and equipment	1,571,088	368,758	44,238	1,895,608	820,979	294,616	35,700	1,079,895	815,713	750,109
Vehicles	566,714	268,768	53,549	781,933	259,616	138,456	31,103	366,969	414,964	307,098
Technical Knowhow	10,378	-	-	10,378	10,378	-	-	10,378	-	-
Patents and trademark	2,034	51,691	2,034	51,691	1,159	6,092	1,159	6,092	45,599	875
Total	12,853,110	3,711,945	957,947	15,607,108	6,330,715	1,971,847	703,084	7,599,478	8,007,630	6,522,395

a. Land includes leasehold land Rs. 9,978 (2003: 9,978)

b. Buildings:

- i) Includes shares worth Rs. 2 (2003: Rs. 2)
- ii) Includes leasehold land / property Rs. 4,241 (2003: Rs. 4,241)
- iii) Is net of depreciation during construction period.

SCHEDULE 6 INVESTMENTS
(Rs. In 000s except share numbers and face value)
All shares are fully paid up unless otherwise stated
Investments - Long Term (at cost)
Investment in Affiliates

	As of March 31,		
	Number	2004	2003
Wipro GE Medical Systems private Ltd #		380,799	400,599
WeP Peripherals Ltd		160,740	133,460
		541,539	534,059

Investments in equity shares of other companies

Quoted		-	208
Unquoted		745	477
Other Investments Unquoted		-	47,958

Investments – short term:
In money market mutual funds

IL & FS(10,000,000 units purchased during the year)	56,263,256	562,633	
Alliance Capital Mutual Fund (7,647,786 units purchased during the year)	50,518,508	505,185	-
Pioneer ITI Mutual Fund (1,780,269 units redeemed during the year)	-	-	741,000
Prudential ICICI Mutual Fund (85,157,070 units purchased / 116,005,739 units redeemed during the year)	207,587,735	2,371,621	1,458,900
HDFC Mutual Fund (55,704,904 units purchased / 43,791,944 units redeemed during the year)	229,134,103	2,602,873	1,424,000
Standard Chartered Mutual Fund (60,983,216 units purchased / 49,945,186 units redeemed during the year)	199,548,451	2,066,527	1,007,400
Reliance Mutual Fund (57400291 units purchased / 30,786,241 units redeemed during the year)	143,112,339	1,785,397	626,100
Zurich India Mutual Fund (437,506,511 units redeemed during the year)			515,900
Templeton India (36,156 units redeemed during the year)	128,406	163,337	
Templeton TMA (271,953 units purchased / 507,906 units redeemed during the year)	1,315,500	1,576,416	
Templeton Floating Fund(4,298,023 units purchased during the year)	15,769,491	157,790	
Franklin Templeton India Mutual Fund (9371984 units purchased during the year)	9,573,977	102,869	252,800
Deutsche MF (22,784,585 units purchased / 40,996,946 units redeemed during the year)	57,186,134	577,797	
ING MF (4,660,879 units purchased / 5,106,683 units redeemed during the year)	34,182,141	367,940	
Can Liquid MF (23,151,167 units purchased during the year)	49,710,053	499,253	
Sundaram MF (16,996,339 units purchased)	17,079,320	172,337	
Cholamandalam Mutual Fund (11,000,000 units purchased during the year)	17,647,075	176,472	-
Kotak Mutual Fund (21,884,021 units purchased / 13,422,231 units redeemed during the year)	114,719,682	1,317,544	541,500
J M Mutual Fund (86,955,245 units purchased / 102,748,768 units redeemed during the year)	140,373,121	1,406,312	361,300
DSP Merrill Lynch Mutual Fund (44,524,705 units purchased / 62,922,332 units redeemed during the year)	45,887,314	459,332	182,500
SBI Insta Cash (5,125,144 units purchased during the year)		-	63,000
HSBC Cash fund (11,295,862 units redeemed during the year)	20,221,296	206,757	-
Birla Mutual Fund (17,051,388 units purchased / 10,245,680 units redeemed during the year)	136,478,004	1,438,896	639,000
		18,517,288	7,813,400
Total		19,059,572	8,396,102

Notes:

#Equity investments in this company carry certain restrictions on transfer of shares that is normally provided for in joint venture / venture funding Agreement.

	As of March 31,	
	2004	2003
SCHEDULE 7 INVENTORIES		
Stores and Spares	31,509	25,952
Raw Materials	551,403	398,216
Stock -in-process	159,523	119,028
Finished goods	549,587	467,331
	1,292,022	1,010,527

Basis of stock valuation:

Raw materials, stock-in-process and stores and spares at or below cost.

Finished products at cost or net realisable value, whichever is lower.

SCHEDULE 8 SUNDRY DEBTORS

(Unsecured)

Over Six Months

Considered good

Considered doubtful

Others

Considered good

Considered doubtful

Less: Provision for doubtful debts

	459,409	694,372
	720,024	643,921
	1,179,433	1,338,293
	11,436,910	7,908,270
	-	17,648
	11,436,910	7,925,918
	720,024	661,569
	11,896,319	8,602,642

SCHEDULE 9 CASH AND BANK BALANCES

Cash and cheques on hand

Balances with scheduled banks

On Current account

In Deposit account

Balances with other banks in current account

Midland Bank, U K

Wells Fargo, U S A

Nations Bank

Bank of America, USA

Standard Chartered Bank

Shanghai C&S Bank

South trust Bank

Hongkong & Shanghai Bank

Bank of Tokyo

Bank of Montreal

Citibank

Saudi British Bank

Standchart UAE

Great Western Bank

Maximum balances during the year

Midland Bank, U K

Wells Fargo, U S A

Nations Bank

Deutsche Bank

Societe General

Bank of America

Standard Chartered Bank

Shanghai C&S Bank

South trust Bank

Hongkong & Shanghai Bank

Bank of Tokyo

Saudi British Bank

First Chicago

Citibank

FCC National Bank

Standchart UAE

Chase Manhattan

Great Western Bank

Bank of Montreal

	220,173	498,387
	690,518	169,506
	51,012	1,468,034
	437,758	428,915
	1,612,528	1,575,159
	5,653	-
	183,999	44,068
		312
		1,181
		2,800
	13,745	13,462
		8,230
	1,678	
	98	-
	24,567	-
	969	-
		25
	3,242,698	4,210,079
	437,758	780,682
	3,567,801	2,396,512
	5653	97,627
		487,942
		460,378
	183,999	97,397
		5,276
		3,655
		2,800
	325,130	13,462
		8,230
	24,567	
		979
	98	1,949
		976
	6,344	
		1,025
		25
	39,177	

(Rs. in 000s)

SCHEDULE 10 LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

	As of March 31,	
	2004	2003
Considered good	2,126,969	1,726,893
Considered doubtful	77,359	72,694
	2,204,328	1,799,587
Less: Provision for doubtful advances	77,359	72,694
	2,126,969	1,726,893
Certificate of deposits with foreign banks	-	2,463,056
Inter Corporate Deposits:		
GE Capital Services India		258,803
Citicorp Financial services Limited		27,000
		285,803
Other Deposits (refer note a)	854,028	637,206
Advance income tax (net of provision)	587,657	747,021
Balances with excise and customs	29,672	16,699
Unbilled Services	2,085,403	1,380,944
	5,683,729	7,257,622

Note:

a) Other Deposits include Rs 25,000 (2003: Rs. 25,000) security deposits for premises with a firm in which a director is Interested

SCHEDULE 11 LIABILITIES

Sundry Creditors	3,153,471	2,295,755
Unclaimed dividends	1,491	1,588
Advances from customers	874,078	755,942
Other liabilities	4,889,947	2,919,905
Unbilled Services	363,330	359,902
Interest accrued but not due on loans		176
	9,282,317	6,333,268

SCHEDULE 12 PROVISIONS

Employee retirement benefits	683,359	521,763
Proposed dividend	931,039	232,564
Proposed one-time dividend	5,818,979	-
Tax on proposed dividend	864,846	29,797
	8,298,223	784,124

SCHEDULE 13 OTHER INCOME

	Year ended March 31,	
	2004	2003
Dividend from Mutual Funds	779,983	26,560
Interest on debt instruments and others	25,978	172,603
Interest on Income tax refund		54,120
Rental Income	45,030	25,266
Profit on Sale of Investments	(43,553)	410,360
Profit on disposal of fixed assets (Refer Note 7)	108,344	7,243
Difference in exchange - Net (Refer Note 10)	297,325	297,085
Brand fees	22,050	53,016
Royalty	-	19,000
Provision no longer required written back	33,652	69,687
Miscellaneous Income	97,186	47,022
	1,365,995	1,181,962

Note : Tax deducted at source Rs. 74,747 (2003: 119,430)

(Rs. In 000s)

	Year ended March 31,	
	2004	2003
SCHEDULE 14 COST OF GOODS SOLD		
Raw materials, Finished and Process Stocks (refer- schedule 17)	8,945,721	7,767,033
Stores & Spares	200,224	172,383
Power and Fuel	461,642	336,840
Salaries, wages and bonus	8,439,366	5,288,348
Contribution to provident and other funds	300,185	191,756
Gratuity and pension	306,504	173,594
Workmen and Staff welfare	239,620	148,538
Insurance	86,092	25,423
Repairs to factory buildings	14,719	11,986
Repairs to Plant & Machinery	474,543	421,170
Rent	307,489	217,650
Rates & Taxes	11,533	30,746
Packing	94,805	82,661
Traveling and allowances	12,693,303	8,472,040
Depreciation	1,607,901	1,180,833
Technical fees	329,503	207,290
Miscellaneous	4,717,854	2,866,433
Less: Capitalized	(139,948)	(155,995)
	39,091,056	27,438,729

SCHEDULE 15 SELLING GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, wages and bonus	1,879,444	1,294,086
Contribution to provident and other funds	47,695	38,629
Gratuity and pension	61,249	38,876
Workmen and Staff welfare	206,710	146,407
Insurance	52,087	10,385
Repairs to buildings	14,591	3,943
Rent	154,654	128,248
Rates and taxes	57,372	66,624
Carriage and freight	155,107	116,466
Commission on sales	98,879	67,756
Auditors' remuneration and expenses		
Audit fees	7,077	6,567
For certification including tax audit	1,029	1,410
Reimbursement of expenses	282	505
Advertisement and sales promotion	571,640	405,804
Loss on sale of fixed assets	6917	6,470
Directors' fees	188	128
Depreciation	363,946	391,417
Traveling and allowances	3,252,952	2,554,828
Communication	185,481	221,399
Provision/write off of bad debts	131,940	180,046
Miscellaneous	1,309,036	762,583
	8,558,276	6,442,577

(Rs. In 000s)

SCHEDULE 16 INTEREST

On fixed loans
Other

Year ended March 31,	
2004	2003
8,768	6,022
26,299	24,223
35,067	30,245

SCHEDULE 17 RAW MATERIALS, FINISHED AND PROCESS STOCKS**Consumption of raw materials and bought out components**

Opening stocks
Add: Purchases
Less: Closing stocks

398,216	439,930
5,728,829	4,688,657
551,403	398,216
5,575,642	4,730,371

Purchase of finished products for sale

3,492,830	3,172,864
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(Increase)/decrease in finished and process stocks

Opening stock : In process
: Finished products

Less: Closing stocks : In process
: Finished products

119,028	84,722
467,331	365,435
159,523	119,028
549,587	467,331
(122,751)	(136,202)

8,945,721	7,767,033
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SCHEDULE 18 NON - RECURRING / EXTRAORDINARY ITEMS

Loss of discontinued ISP business

-	352,195
-	352,195

SCHEDULE –19 SIGNIFICANT ACCOUNTING POLICIES**Accounting convention**

The preparation of consolidated financial statements in conformity with Indian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Basis of preparation of financial statements:-

The accompanying consolidated financial statements have been prepared in accordance with Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements.

Principles of consolidation :-

The consolidated financial statements include the financial statements of Wipro and all of its subsidiaries, which are more than 50% owned and controlled and its affiliates where the group holds more than 20% of voting power and has significant influence. All material inter-company accounts and transactions are eliminated on consolidation. The group, accounts for investments in affiliates by the equity method.

Revenue recognition

- Sales include applicable sales tax unless separately charged, export incentives, and are net of discounts.
- Sales are recognized on despatch, except in the following cases:
 - Consignment sales are recognized on receipt of statement of account from the agent
 - Sales, which are subject to detailed acceptance tests, revenue is reckoned based on milestones for billing, as provided in the contracts
 - Revenue from software development services includes revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. With reference to fixed price contracts revenue is recognized in accordance with percentage of completion method of accounting
- Export incentives are accounted on accrual basis and include estimated realizable values/benefits from special import licenses and Advance licenses.
- Agency commission is accrued on shipment of consignment by principal.
- Maintenance revenue is considered on acceptance of the contract and is accrued over the period of the contract.
- Other income is recognized on accrual basis.

Fixed Assets and Depreciation

Fixed assets are stated at historical cost less depreciation.

Interest on borrowed money allocated to and utilized for fixed assets, pertaining to the period up to the date of capitalization is capitalized. Assets acquired on hire purchase are capitalized at the gross value and interest thereon is charged to Profit and Loss account. Renewals and replacement are either capitalized or charged to revenue as appropriate, depending upon their nature and long-term utility.

In respect of leased assets, lease rentals payable during the year is charged to Profit and Loss account.

Depreciation is provided on straight line method at rates specified in Schedule XIV to the Companies Act, 1956, except on computers, furniture and fixture, office equipment, electrical installations (other than those at factories) and vehicles for which commercial rates are applied. In Wipro Inc, Enthink Inc and Wipro Japan KK depreciation is provided on Written Down Value method.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized over their estimated useful life ranging between 5 years to 20 years.

Goodwill

The goodwill arising on consolidation / acquisition is not being amortised. It is tested for impairment on a periodic basis and written off if found impaired.

Investments

Long term Investments are stated at cost and short term investments are valued at lower of cost and net realizable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

Inventories

Finished goods are valued at cost or net realizable value, whichever is lower. Other inventories are valued at cost less provision for obsolescence. Indigenously developed software products are valued at cost, which reflects their remaining economic life. Small value tools and consumables are charged to consumption on purchase. Cost is computed on weighted average basis.

Provision for retirement benefits

For employees covered under group gratuity scheme of LIC, gratuity charged to Profit and Loss account is on the basis of premium demanded by LIC. Provision for gratuity (for certain category of employees) and leave benefit for employee's is determined as per actuarial valuation at the year-end. Defined contributions for provident fund and pension are charged to the Profit and Loss account based on contributions made in terms of applicable schemes, after netting off the amounts rendered surplus on account of employees separated from the Company. Certain category of employees are entitled to pension benefits which are determined based on factors like years of services and cumulative basic salary. The company has provided for the liability based on an actuarial valuation. The compensation paid if any, on voluntary retirement to the employees is charged off as an expense in the year of Incurrence.

Deferred Tax

Tax expenses charged to Profit and Loss account is after considering deferred tax impact for the timing difference between accounting income and tax income. Deferred tax assets are recognized when there is a reasonable certainty that they will be realized. Deferred tax asset relating to unabsorbed business losses are recognized when there is a virtual certainty that there will be sufficient taxable profits to utilize them.

Foreign currency transactions

Foreign currency transactions are recorded at the spot rate at the beginning of the concerned month. Period-end balances of foreign currency assets and liabilities are restated at the closing rate / forward contract rate, as applicable. Resultant differences in respect of liabilities relating to acquisition of fixed assets are capitalized. Other differences on restatement or payment are adjusted to revenue account.

The forward premium / discount on forward contracts is recognized over the life of the contract. Forward premium is worked out based on the spot rate and contract rate on the date of transaction. Gain if any in respect of forward/options contract on account of movement in spot rate of the currency, is recognized only at the expiry of the contract.

In respect of non-integral operations assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the profit & loss account are translated at the average exchange rate during the period. The differences arising out of the translation are included in translation reserve.

Research and Development

Revenue expenditure on research and development is charged to Profit and Loss account and capital expenditure is shown as addition to fixed assets.

NOTES TO ACCOUNTS

1. Goodwill on consolidation as on the balance sheet date comprises of the following:

	<i>(Rs. in 000s)</i>
Wipro Fluid Power Limited	18,271
Wipro Spectramind Services Limited	3,726,185
Wipro Healthcare IT Limited	175,012
Global energy practice of AMS Inc.	950,165
Wipro Nervewire	382,724
Total	<u>5,252,357</u>

In addition to the above goodwill arising on account of the acquisition of subsidiaries/affiliates is shown under fixed assets and amounts to Rs. 85,542 as on the balance sheet date

2. In May 2003, company acquired Nervewire Inc. a Massachusetts based business and IT consulting company, serving customers in the financial services sector, for a consideration of Rs. 791,038. In addition to that, at the time of acquisition the company has decided to restructure certain lease agreement entered into by Nervewire and in the process has made a provision for the estimated liability of Rs. 86,953. The amount of this liability is also considered in cost of acquisition.
3. In April 2003, the company acquired Glucovita brand from Hindustan Lever Limited at a cost of Rs. 26,690, and also paid further Rs. 25,000 for non-compete agreement. Based on the performance of various other established brands in the market of similar products, the company estimates that the useful life of the brand is 20 years and the cost of the brand is accordingly amortized over 20 years. Payment for non-compete agreement is amortized over the period of agreement.
4. In the year ended March 31, 2004 Wipro Spectramind Services Limited allotted 4,164,505 shares to its employees on the exercise of their right under employee stock options. On account of this, the ownership of Wipro Spectramind by the company stand reduced to 93% from earlier 100%. As the exercise price paid was higher than their proportionate share in the net assets of Wipro Spectramind, the excess of Rs. 49,355 has been adjusted from the Goodwill on consolidation.
5. The company has re-estimated the economic life of moulds and dies to a lesser period and consequent to that with effect from 1st April 2003 moulds and dies are being depreciated at 25% instead of 11.31% followed hitherto. On account of the change in depreciation rate, profit for the year is lower by Rs. 8,002.
6. The company has a 49% equity interest in Wipro GE Medical Systems Private Limited (WGE), a joint venture with General Electric, USA. The joint venture agreement provides specific rights to the joint venture partners. The rights conferred to Wipro are primarily protective in nature. Therefore, in accordance with the guidance in Accounting Standard 27 “ Financial Reporting of Investments in Joint Ventures” the investments in Wipro GE have been accounted for by equity method and not by proportionate consolidation method.
Investments in WeP Peripherals Ltd have been accounted for by equity method.
7. Profit on sale of assets includes Rs. 107,000 on account of consideration received for transfer of rights in the land allotted to the company at the information technology park.
8. During the year the company had transferred its investments in Wipro Nervewire to another US subsidiary Wipro Inc. After the transfer Wipro Nervewire and another US subsidiary Wipro Technology Inc. were merged with Wipro Inc. with effect from 31st March 2004. The transfer and merger mentioned above have no impact on the consolidated profit and loss account.
9. During the year the company received a demand from the income tax department of Rs. 2,614,568 (Including interest demand of Rs.764,485) for one of its assessment years. Unprovided liability on this account is Rs. 2,315,568. The tax demand is mainly on account of disallowance of deduction claimed by the company under Section 10A of the Income Tax Act 1961, in respect of profits earned by its undertakings in software technology park at Bangalore. As per the opinion of the company’s legal counsel the said disallowance is not tenable. The management of the company is in the process of filing an appeal challenging the disallowance within the time available under the Income Tax Act. Considering the facts and nature of disallowance, the management believes that there will be a positive final outcome and there is no material impact on the financial statement.
10. As at the balance sheet date the group has forward / options contract for USD 948 Mn, out of which contracts which are not covered by underlying assets are USD 721 Mn. The Company has recognized proportionate premium on forward / option contracts to the extent Rs. 21,998 which has been included in difference in exchange in schedule 13 to financials. The balance premium to be recognized in future is Rs. 152,692

11. The breakup of accumulated net deferred tax asset is given below:

	(Rs. In 000s)	
	March 31, 2004	March 31, 2003
Deferred tax assets:		
Allowance for doubtful debts	92,644	87,070
Property plant and equipment – Depreciation differential	49,115	74,272
Employee stock incentive plan	9,388	38,902
Accrued expenses	166,272	103,133
Business losses carried forward	168,879	162,532
	486,298	465,909

12. Provision for taxation comprises of following:

- (i) Rs. 758,929 (2003: Rs. 556,117) in respect of foreign taxes, net of deferred tax benefit of Rs. 61,314 (2003: Rs. 29,050) and write back of provision of Rs. Nil (2003: Rs. 27,643) in respect of earlier years.
- (ii) Rs. 918,628 (2003: Rs. 627,899) in respect of Indian Income Tax, which includes tax benefit from discontinued business of Rs. Nil (2003: Rs. 156,236) deferred tax charge of Rs. 40,925 (2003: Rs. 101,443) and provision of Rs. 251,390 (2003: Rs. 200,850) in respect of earlier years.
- (iii) Rs.3,000 (2003: Rs. 2,500) in respect of Wealth Tax.

13. Company has instituted various Employee Stock Option Plans. The compensation committee of the board evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options. The particulars of options granted under various plans are tabulated below.

Stock option activity under the 1999 Plan is as follows:

	Year ended March 31, 2003			
	Shares arising out of options	Range of exercise prices	Weighted-average exercise price	Weighted-average remaining contractual life
Outstanding at the beginning of the period	3,885,958	Rs. 1,024 to 2,522	Rs. 1,550	47 months
Forfeited during the period.....	(163,677)	1,086 to 2,522	1,599	
Exercised during the period	(97,903)	1,086	1,086	
Outstanding at the end of the period.....	3,624,378	1,024 to 2,522	1,560	35 months
Exercisable at the end of the period.....	1,189,166	Rs. 1,024 to 2,522	Rs. 1,448	35 months
	Year ended March 31, 2004			
	Shares arising out of options	Range of exercise prices	Weighted-average exercise price	Weighted-average remaining contractual life(months)
Outstanding at the beginning of the period.....	1,411,358	Rs. 1,024 -1,086	Rs. 1,085	31 months
	2,213,020	1,853 -2,522	1,863	39 months
Forfeited during the period.....	(79,829)	1,086	1,086	-
	(113,650)	1,853	1,853	-
Exercised during the period.....	(145,677)	1,086	1,086	-
Outstanding at the end of the period.....	1,185,852	1,024 -1,086	1,862	19 months
	2,099,370	1,853 -2,522	-	27 months
Exercisable at the end of the period.....	830,096	1,024 -1,086	1,085	19 months
	944,967	Rs. 1,853 -2,522	Rs. 1,863	27 months

Stock option activity under the 2000 Plan is as follows:

	Year ended March 31, 2003			
	Shares arising out of options	Range of exercise prices	Weighted-average exercise price	Weighted-average remaining contractual life
Outstanding at the beginning of the period.....	8,472,514	Rs. 1,032 to 2,746	1,846	58 months
Granted during the period.....	99,550	Rs. 1,268 to 1,691	1,495	54 months
Forfeited during the period.....	(471,150)	Rs. 1,032 to 2,651	1,899	
Exercised during the period	(400)	Rs. 1,032 to 1,338	1,215	
Outstanding at the end of the period.....	<u>8,100,514</u>	<u>Rs. 1,032 to 2,746</u>	<u>1,839</u>	<u>46 months</u>
Exercisable at the end of the period.....	<u>1,731,730</u>	<u>Rs. 1,032 to 2,746</u>	<u>1,884</u>	<u>46 months</u>

	Year ended March 31, 2004			
	Shares arising out of options	Range of exercise prices	Weighted-average exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	94,950	Rs. 1,032 - 1,532	Rs. 1,374	53 months
	5,519,481	1,586 - 2,375	1,596	48 months
	2,486,083	2,382 - 2,746	2,396	43 months
Forfeited during the period.....	(8250)	1,032 - 1,532	1,325	-
	(327,760)	1,586 - 2,375	1,599	-
	(214,900)	2,382 - 2,746	2,396	-
Exercised during the period	<u>(900)</u>	<u>1,532</u>	<u>1,254</u>	-
	2,545			
Outstanding at the end of the period.....	85,800	1,032 - 1,532	1,375	41 months
	5,189,176	1,586 - 2,375	1,592	37 months
	<u>2,271,183</u>	<u>2,382 - 2,746</u>	<u>2,396</u>	<u>31 months</u>
Exercisable at the end of the period.....	19458	1,032 - 1,532	1,375	41 months
	2062851	1,586 - 2,375	1,592	37 months
	<u>1,042,732</u>	<u>Rs. 2,382 - 2,746</u>	<u>Rs. 2,396</u>	<u>31 months</u>

Stock option activity under the 2000 ADS Plan is as follows:

	Year ended March 31, 2003			
	Shares arising out of options	Range of exercise prices	Weighted-average exercise price	Weighted-average remaining contractual life (months)
Outstanding at the beginning of the period.....	647,450	\$ 20.75 to 41.375	\$ 37.660	55 months
Granted during the period.....	88,300	\$ 26.10 to 30.050	\$ 27.950	54 months
Forfeited during the period.....	(35,400)	\$ 20.75 to 36.400	\$ 29.620	—
Outstanding at the end of the period.....	<u>700,350</u>	<u>\$ 20.75 to 41.375</u>	<u>\$ 36.840</u>	<u>43 months</u>
Exercisable at the end of the period.....	<u>446,152</u>	<u>\$ 25.90 to 41.375</u>	<u>\$ 36.460</u>	<u>47 months</u>

Weighted average grant date fair value for options granted during the year ended March 31, 2003, is \$ 14.70

Year ended March 31, 2004				
	Shares arising out of options	Range of exercise prices	Weighted- average exercise price	Weighted- average remaining contractual life (months)
Outstanding at the beginning of the period.....	83,800	\$20.75 - 30.05	\$ 25.98	55 months
	616,550	34.90 - 41.375	38.31	41 months
Forfeited during the period.....	(6,700)	25.90 - 29.03	27.63	-
	(10,800)	36.40 - 41.375	40.10	-
Exercised during the period	<u>(45,963)</u>	<u>36.40</u>	<u>36.40</u>	<u>-</u>
Outstanding at the end of the period.....	77,100	20.75 - 30.05	25.83	43 months
	<u>559,787</u>	<u>34.90 - 41.375</u>	<u>38.31</u>	<u>29 months</u>
Exercisable at the end of the period.....	5,275	20.75 - 30.05	25.39	42 months
	151,975	\$ 34.90 -41.375	\$ 38.31	29 months

14. The details of subsidiaries and affiliates are as follows –

a) Name of the subsidiary	Country of Incorporation	% Holding
Wipro Fluid Power Limited	India	98%
Wipro Inc	USA	100%
Enthink Inc	USA	- *
Wipro Spectramind Inc	Bermuda	100%
Wipro Japan KK	Japan	100%
Wipro Chandrika Limited	India	100%
Wipro Trademarks Holding Limited	India	100%
Wipro Travel Services Limited	India	100%
Wipro HealthCare IT Limited	India	100%
Wipro Spectramind Services Limited	India	93%
Wipro Holdings Mauritius Limited	Mauritius	100%
Wipro Holdings UK Limited	UK	- #
Wipro Technology UK Limited	UK	- @
Wipro Consumer Care Limited	India	100%
b) Wipro Equity Reward Trust	India	Fully controlled trust
c) Grantor Trust	USA	Fully controlled trust
d) Name of the affiliate		
Wipro GE Medical Systems Private Limited	India	49%
WeP Peripherals Limited	India	40%

* Fully owned by Wipro Inc.

Fully owned by Wipro Holdings Mauritius Limited

@ Fully owned by Wipro Holdings UK Limited

15. Diluted EPS is calculated based on treasury stock method for ESOP outstanding.

16. The Company has the following transactions with related parties :

(Rs. in 000s)

	As of March 31,	
	2004	2003
Wipro GE Medical systems private Ltd:		
Revenues from sale of computer equipment and administrative and management support services	116,490	33,121
Fees for usage of trade mark		19,000
WeP Peripherals Ltd		
Revenues from sale of computer equipment and services	8,002	6,163
Fees for usage of Brand / trade mark	22,040	53,016
Interest received on debentures	-	-
Payments for services	4,047	14,131
Purchase of printers	79,892	85,531
Azim Premji Foundation:		
Revenues from sale of computer equipment and services	1,985	2,029
Chairman and Managing Director:		
Payment of lease rentals	1,425	1,200
Payment to non executive directors:		
Dr Ashok Ganguly	800	800
Narayan Vaghul	800	800
Prof. Eisuke Sakakibara	Yen 4,800	Yen 4,800
Dr. Jagdish N Sheth	\$ 25	\$ 33.5
P M Shina	1,000	1,000
B C Prabhakar	400	400

The following is the listing of receivables from and payables to related party as on the balance sheet date

Receivables:

Wipro GE Medical systems private Limited	31,321	87,410
WeP Peripherals Limited	3,043	13,941
Azim Premji Foundation	43	158
Hasham Premji	25,000	25,000

Payables:

WeP Peripherals Ltd.	34,459	20,098
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17. Corresponding figures for previous periods presented have been regrouped, where necessary, to confirm to this period classification. Current period figures are not comparable with the previous period figures on account of acquisition of various business / subsidiaries in last two year i.e., Wipro Spectramind Services Limited (BPO business) in July 2002; Wipro Healthcare IT Limited with effect from August 2002; Energy & Utilities Practice with effect from January 2003 and Wipro Nerve wire (IT consulting business) with effect from May 2003 and also on account of discontinuation / sale of business relating to ISP.
18. Pursuant to the exemption granted by the Department of Company Affairs, Government of India, the Company is publishing only the consolidated financial statement of Wipro Limited and its subsidiaries and the stand alone financial statements of Wipro Limited. The financial statements and auditors' report of the individual subsidiaries are available for inspection by the shareholders at the registered office.

CASH FLOW STATEMENT

	(Rs. In 000s)	
	Year ended March 31,	
	2004	2003
Cash flows from operating activities:		
Profit before tax from continuing operations	12,031,823	10,317,484
Adjustments to reconcile Net profit before tax and non recurring items to net cash provided by operating activities:		
Depreciation and amortization	1,971,847	1,568,487
Foreign currency translation gains	(132,771)	(297,085)
Retirement benefits provision	161,596	112,773
Interest on borrowings		30,245
Dividend / interest	(762,408)	(633,398)
Loss / (Gain) on sale of property, plant and equipment	(107,000)	6,470
Trade and other receivable	(3,670,414)	(1,919,285)
Loans and advances	(359,890)	(729,342)
Inventories (other than stock-in-trade land)	(281,495)	(75,927)
Trade and other payables	2,748,125	803,940
Net cash provided by operations	11,599,409	9,184,362
Direct taxes paid	(1,568,359)	(1,848,699)
Net cash provided by continuing operations	10,031,050	7,335,663
Net cash provided by discontinuing operations	-	27,284
Net cash provided by operations	10,031,050	7,362,947
Cash flows from investing activities:		
Expenditure on property, plant and equipment (including advances)	(4,100,966)	(2,523,048)
Proceeds from sale of property, plant and equipment	121,863	103,530
Purchase of investments	(10,706,517)	(41,182,961)
Inter Corporate deposits placed / matured	285,303	1,779,288
Certificate of Deposits with foreign banks	2,463,056	2,824,163
Sale / maturities on Investments	48,060	37,904,824
Payment for acquisition, net of cash acquired	(465,267)	(5,484,793)
Dividend / interest received	777,850	245,478
Net cash used in investing activities	(11,576,618)	(6,333,519)
Cash flows from financing activities:		
Proceeds from exercise of Stock Option Plan grants	238,600	106,809
Share application money pending allotment	-	(1,177)
Dividends paid	(262,361)	(232,466)
Proceeds from issuance / (repayment) of borrowings	463,020	
Proceeds from issuance shares by subsidiary	147,533	275,576
Net cash provided by / (used in) financing activities	586,792	148,742
Net increase / (decrease) in cash and cash equivalents during the year	(958,776)	1,178,170
Cash and cash equivalents at the beginning of the period	4,210,079	3,031,909
Effect of Translation on cash balance	(8,605)	-
Cash and cash equivalents at the end of the period	3,242,698	4,210,079

Notes:

Figures for previous periods presented, have been regrouped wherever necessary, to confirm to this period classification.

For and on behalf of the Board of Directors

Azim Hasham Premji
Chairman and Managing Director

Vivek Paul
Vice Chairman and Executive Officer

P. M. Sinha
Director

Suresh C. Senapaty
Corporate Executive
Vice President – Finance

V. Ramachandran
Company Secretary

B. C. Prabhakar
Director

Bangalore, April 16, 2004

AUDITOR'S CERTIFICATE

We have examined the above cash flow statement of Wipro Limited – consolidated for the year ended March 31, 2004. This statement is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company for the year ended March 31, 2004, covered by our report of even dated.

For N M Raiji & Co.,
Chartered Accountants

J M Gandhi
Partner

Mumbai, April 16, 2004.
