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57th Annual Report 2000

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BOARD OF DIRECTORS

MUNIR SHAIKH
Chairman

D M GAVASKAR
Managing Director & President

R A SHAH

V D NARKAR

THOMAS CHEN

DAVID WARDELL

Vice President & Company Secretary

D M RAJA

Bankers

Standard Chartered Grindlays Bank Ltd
BNP Paribas
ICICI Bank Ltd

Auditors

Deloitte Haskins & Sells

Solicitors

Crawford Bayley & Co

Registered Office

17 R Kamani Marg, Mumbai 400 001

Factories

- E-1 MIDC Industrial Area, Jejuri 412 303
- L-18/19, Verna Industrial Estate, Goa

Registrars & Share Transfer Agents

Sharepro Services
Satam Industrial Estate, 3rd Floor
Above Bank of Baroda
Cardinal Gracious Road, Chakala
Andheri (East), Mumbai 400 099

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CORPORATE MANAGEMENT

D M GAVASKAR
Managing Director & President

S JAIN
Director – Marketing

N Y KATRE
Director – Supply Chain

DR J S BAKSHI
Vice President – Medical Sciences

DR A V PRABHU
Vice President – Quality Control & Development

D M RAJA
Vice President & Company Secretary

U D CHINIWALA
Vice President – Finance

A V CHANDORKAR
Vice President – Human Resources & Administration

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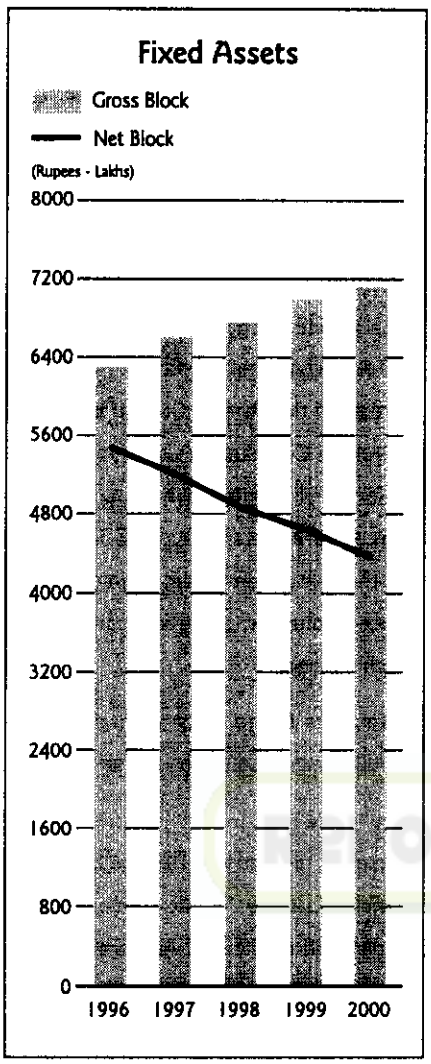
Highlights

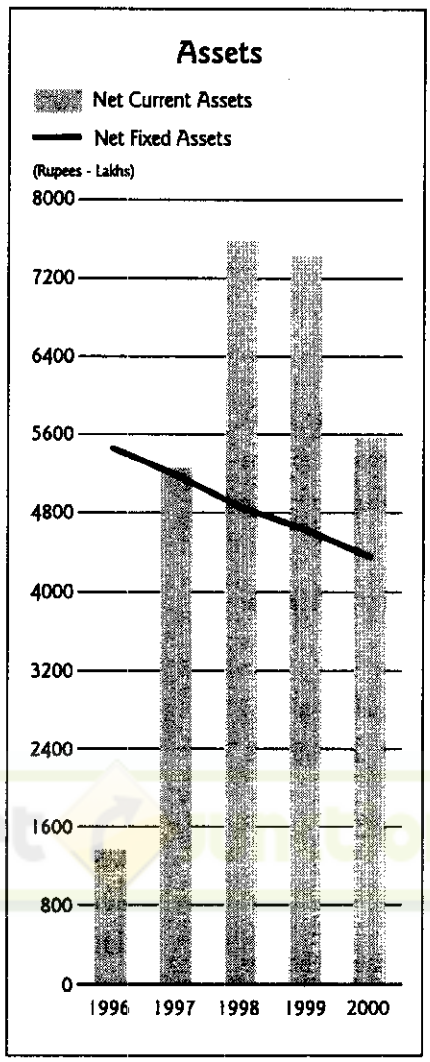
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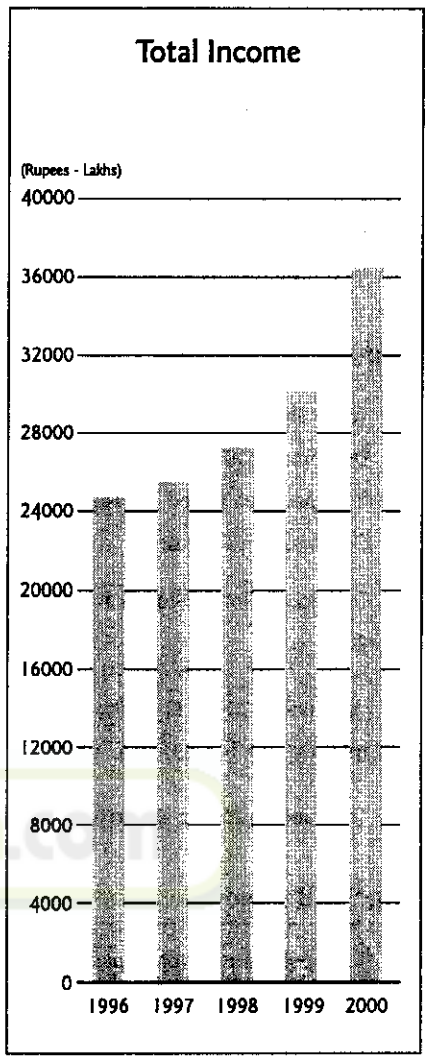
	1991-92	1992-93	1993-94	1994-95	1995 (9 months)	1996	1997	1998	1999	2000
OPERATING RESULTS										
SALES AND OTHER INCOME	10844.34	13435.37	16034.14	21437.71	18858.66	24843.70	25598.41	27340.58	30200.38	**36430.78**
MATERIALS	4589.99	6236.99	6852.41	9989.37	9746.78	13789.73	13306.92	14680.15	16417.52	**19214.62**
SALARIES, BONUS AND STAFF WELFARE	1595.90	1830.32	1746.78	2386.47	1040.22	1279.03	1524.93	1711.82	1612.96	**1991.00**
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES	3095.45	3857.93	4839.35	5456.52	5070.10	5319.15	5679.21	5735.90	6991.54	**7395.28**
DEPRECIATION	212.86	198.63	185.74	160.95	137.71	378.83	598.51	528.43	508.86	**533.08**
INTEREST	271.63	223.82	272.61	256.40	246.66	349.01	46.75	55.37	32.35	**145.91**
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	1078.51	1087.68	2137.25	3188.00	2617.19	3727.95	4442.09	4628.91	4637.15	**7150.89**
EXTRAORDINARY ITEM — EXPENDITURE/(INCOME)	–	–	727.25	2462.54	1133.33	730.22	(2447.93)	1338.85	(2978.69)	**(1315.57)**
PROVISION FOR TAXATION	485.25	495.00	603.41	3.37	473.63	950.00	1895.35	585.56	764.20	**1246.12**
PROFIT AFTER TAX AND EXTRAORDINARY ITEM	593.26	592.68	806.59	722.09	1010.23	2047.73	4994.67	2704.50	6851.64	**7220.34**
RETAINED EARNINGS	317.86	301.08	498.79	381.89	726.73	1521.23	4229.22	1546.20	(441.60)	**(1153.44)**
EARNINGS PER SHARE (Rs.)	7.3	7.3	10.0	8.9	12.5	25.3	61.7	16.7	42.3	**44.6**
DIVIDEND PER SHARE (Rs.)	3.4	3.6	3.8	4.2	3.5	6.5	8.0	6.5	40.5	**45.0**
FINANCIAL SUMMARY										
ASSETS EMPLOYED										
FIXED ASSETS (At Cost)	2848.63	2824.49	3011.93	3352.58	4944.95	6301.57	6613.11	6752.46	6999.60	**7104.32**
FIXED ASSETS (Net)	1323.99	1178.67	1235.17	2143.49	3621.43	5459.84	5181.57	4852.00	4621.22	**4344.95**
ASSETS HELD FOR DISPOSAL (Net)	–	–	–	196.04	174.27	71.81	65.67	60.12	–	–
CURRENT ASSETS (Net)	2646.15	3112.70	4616.73	2828.30	1749.19	1383.68	5274.47	7586.66	7441.23	**5590.06**
TOTAL ASSETS	3970.14	4291.37	5851.90	5167.83	5544.89	6915.33	10521.71	12498.78	12062.45	**9935.01**
FINANCED BY										
SHARE CAPITAL	810.00	810.00	810.00	810.00	810.00	810.00	810.00	1620.00	1620.00	**1620.00**
RESERVES AND SURPLUS	1744.15	2045.23	2544.02	1694.64	3134.94	5173.87	9403.09	10656.10	10214.50	**7911.35**
TOTAL SHAREHOLDERS' FUNDS	2554.15	2855.23	3354.02	2504.64	3944.94	5983.87	10213.09	12276.10	11834.50	**9531.35**
BORROWINGS	1415.99	1436.14	2497.88	2663.19	1599.95	931.46	308.62	222.68	227.95	**403.66**
DEBT : EQUITY	0.6	0.5	0.7	1.1	0.4	0.2	–	–	–	–
NUMBER OF SHAREHOLDERS	12230	12960	13229	14155	14594	13341	11263	11607	13223	**16156**

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Shareholding Pattern		
Number of Equity Shares held	Number of Shareholders	Total Number of Shares
1 to 50	6060	177953
51 to 100	3977	378675
101 to 500	4161	1071568
501 to 1000	1032	756821
1001 & above	926	13814983
Total	16156	16200000

How our Income was spent	2000		1999	
	Rupees (in Lakhs)	%	Rupees (in Lakhs)	%
1. Materials	19214.62	50.9	16417.52	49.5
2. Salaries	1991.00	5.3	1612.96	4.9
3. Depreciation	533.08	1.4	508.86	1.5
4. Other Expenses	7541.19	20.0	7023.89	21.2
5. Tax	1246.12	3.3	764.20	2.3
6. Dividend (Includes Corporate Dividend Tax)	8373.78	22.2	7293.24	22.0
7. Retained Earnings	(1153.44)	(3.1)	(441.60)	(1.4)

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Notice

Notice is hereby given that the Fifty-seventh Annual General Meeting of Knoll Pharmaceuticals Ltd will be held at Y B Chavan Auditorium, General Jagannath Bhosale Marg, Next to Sachivalaya Gymkhana, Mumbai 400 021 on Tuesday, 12 June 2001 at 3.00 p.m. to transact the following business :

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 31 December 2000 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors.

2. To declare final dividend for the year ended 31 December 2000.

3. To appoint a Director in place of Mr R A Shah, who retires by rotation and, being eligible, offers himself for re-appointment.

4. To appoint auditors and to fix their remuneration.

Special Business:

5. To appoint a director in place of Mr Munir Shaikh who was appointed as additional director of the Company under Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956 but being eligible offers himself for appointment and in respect of whom the Company has received notices in writing from some members expressing their intention of proposing him as a candidate for the office of director, along with a deposit of Rs. 500 from each such member.

6. To appoint a director in place of Mr Thomas Chen who was appointed as additional director of the Company under Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956 but being eligible offers himself for appointment and in respect of whom the Company has received notices in writing from some members expressing their intention of proposing him as a candidate for the office of director, along with a deposit of Rs. 500 from each such member.

7. To appoint a director in place of Mr David Wardell who was appointed as additional director of the Company under Article 113 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956 but being eligible offers himself for appointment and in respect of whom the Company has received notices in writing from some members expressing their intention of proposing him as a candidate for the office of director, along with a deposit of Rs. 500 from each such member.

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

   RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby accords its approval to the appointment, including remuneration, of Mr N Y Katre as Director-Supply Chain from 1 January 2001 to 1 March 2001 on the terms and conditions set out in the draft Agreement placed before this meeting and initialled by the Chairman for the purpose of identification and which the Directors of the Company be and are hereby authorised to enter into on behalf of the Company.

By Order of the Board

D M RAJA
Vice President & Company Secretary

Mumbai: 21 March 2001

Registered Office :
17 R Kamani Marg
Ballard Estate
Mumbai 400 001

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Notes:

i. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.

ii. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from 5 June 2001 to 12 June 2001 (both days inclusive).

iii. Dividend recommended by the Directors and approved by the members at the Annual General Meeting will be paid on or before 11 July 2001 to those members whose names appear on the Register of Beneficial Owners and Register of Members on 12 June 2001. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per details furnished by the Depository Participants.

iv. To ensure against misappropriation of dividend warrants to be mailed to them, members who have not sent in their bank details are requested to provide their bank account numbers, names and addresses of the bank branches to enable the Company to incorporate the same on the dividend warrants.

v. Reserve Bank of India has introduced Electronic Clearing Service (ECS) for payment of dividend electronically to your Bank. The Company proposes to offer this facility to members located at Ahmedabad, Bangalore, Chennai, New Delhi, Kolkata, Mumbai and Pune. Shareholders opting to avail of this facility are required to fill and sign the enclosed ECS mandate form and return the same to the Company latest by 18 May 2001.

vi. Members are requested to immediately intimate to the Company/Registrars & Share Transfer Agents, changes, if any, in their registered addresses alongwith the pin code number.

vii. In terms of Sections 205A and 205C of the Companies Act, 1956, any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the Investor Education and Protection Fund. Members who have not encashed their dividend warrants for the year 1996 or thereafter are requested to write to the Registrars & Share Transfer Agents.

viii. As per the amended Companies Act, 1956, facility for nominations is now available for shareholders in respect of the shares held by them. Shareholders who wish to obtain Nomination forms may write to the Company at the Registered Office.

ix. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Registrars & Share Transfer Agents of the Company to enable them to consolidate their shareholding into one folio.

x. Trading in Company's shares through stock exchanges was made compulsory in dematerialised/electronic form effective 17 January 2000. The equity shares of the Company have been inducted in both National Securities Depository Limited as well as Central Depositories Services (India) Ltd. to enable shareholders to hold and trade the securities in dematerialised/ electronic form. In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation of the Company's shares.

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Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item Nos. 5, 6 & 7:

Mr Munir Shaikh is a fellow member of the Institute of Chartered Accountants in England & Wales. He is the Regional Director of South-East Asia Pacific, Abbott Laboratories. Mr Thomas Chen holds a Master's degree in Business Administration from Indiana University, USA. He is Vice President, Pacific, Asia and Africa Operations, Abbott Laboratories. Mr David Wardell is a lawyer by profession and is the Divisional Vice President – International Legal Operations, Abbott Laboratories. Their varied experience will benefit the Board and bring to bear a good influence on the growth prospects of our Company.

It is therefore recommended that Mr Munir Shaikh, Mr Thomas Chen and Mr David Wardell, be appointed as Directors of the Company.

Mr Munir Shaikh, Mr Thomas Chen and Mr David Wardell, are interested in the resolutions at Item Nos 5, 6 and 7, of the accompanying Notice relating to their respective appointment.

Item No. 8:

At a meeting of the Board of Directors held on 29 December 2000 Mr N Y Katre was appointed as a wholetime director of the Company for a period of 5 years effective from 1 January 2001.

The main terms and conditions of Mr Katre's appointment are as under:

1. Mr Katre to perform such duties and exercise such powers as are entrusted to him from time to time by the Managing Director & President and/or the Board.

2. Mr Katre to devote sufficient time to enable him to discharge his duties to the Company diligently and to the best of his abilities.

3. Mr Katre to, undertake to travel in India and elsewhere as directed by the Managing Director & President and/or the Board during his period of employment.

4. In consideration of the performance of his duties to the Company, Mr Katre to be entitled to the following remuneration:

   (a) Salary : Rs. 72,550/- per month with such increments as may be decided by the Board from time to time, subject to a ceiling of Rs.1,50,000 per month.

   (b) Commission/Performance Linked Incentive or Bonus: Such sums as may be approved by the Board, but not exceeding 25% of his annual salary as per the Scheme in operation from time to time.

5. In addition to the above, Mr Katre to be entitled to furnished/ non-furnished residential accommodation, gas, electricity, company maintained car, medical reimbursement, leave travel assistance, club fees, telephone and such other allowances/ perquisites/benefits in accordance with the Company's Rules, such as provident fund, superannuation, pension, group insurance and gratuity. The monetary value of such allowances/ perquisites/ benefits determined in accordance with the Income Tax Rules, 1962 to which Mr Katre is entitled shall be subject to a ceiling of Rs.1,00,000 per month.

6. The Company's contribution to provident fund, superannuation/pension scheme(s), annuity fund and gratuity as per the Rules of the Funds/ Schemes and encashment of leave at the end of Mr Katre's tenure under this Agreement shall not be included in the computation of the above ceiling on remuneration and allowances/perquisites/benefits.

7. The use of a car while on the business of the Company and telephone at residence will not be considered as perquisites. However, personal long distance telephone calls and use of car for private purposes shall be charged by the Company to Mr Katre at the perquisite value thereof.

8. Within the overall ceiling on managerial remuneration prescribed under the Companies Act, 1956, the Board is entitled to add to, alter or vary any of the foregoing terms of remuneration and allowances, benefits or perquisites.

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9. Where in any financial year during the tenure of Mr Katre, the Company has no profits or its profits are inadequate, the remuneration payable to Mr Katre shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any other law or enactment for the time being or from time to time in force.

10. Mr Katre shall not directly or indirectly, engage himself in any other business or occupation or employment whatsoever, without the approval of the Board.

11. So long as he functions as Wholetime Director, Mr Katre not to become interested or otherwise concerned directly or through relatives in any selling agency of the Company, without the prior approval of the Board.

12. Mr Katre not to divulge or disclose to any person whomsoever or make any use whatsoever of any information or knowledge obtained by him during his employment as to the business or affairs of the Company or its methods or as to trade any secrets or secret processes of the Company also use his best endeavours to prevent any other person from so doing.

13. The employment of Mr Katre under this Agreement to forthwith determine if he shall become insolvent or make any composition or arrangement with his creditors or if he is guilty of misconduct.

14. In case of the demise of Mr Katre during the course of his employment, the Company to pay to his legal personal representatives the salary and other emoluments payable for the then current month and other dues together with any such further sum as the Board may in its sole and uncontrolled discretion determine.

15. Either party entitled to determine this Agreement by giving not less than six months' notice in writing in that behalf to the other party without the necessity of showing any cause.

Following the acquisition by Abbott Equity Holdings Limited, UK of equity share capital representing 51% of the voting rights in the Company on 2 March 2001 the Board was reconstituted and Mr Katre resigned as a director of the Company with immediate effect. Consequently, the approval of the shareholders under Section 309 of the Companies Act, 1956 for payment of remuneration to Mr Katre as wholetime director is sought only from 1 January 2001 to 1 March 2001 (both days inclusive). Mr Katre however continues to be in the wholetime employment of the Company.

The terms and conditions of Mr Katre's appointment as set out above may also be treated as an abstract of the terms of the draft Agreement between Mr Katre and the Company under Section 302 of the Companies Act, 1956.

Mr N Y Katre is concerned or interested in the resolution at Item No. 8 of the Notice since it relates to his own appointment and remuneration.

The draft of the Agreement to be entered into with Mr N Y Katre is available for inspection by any member of the Company at the Registered Office of the Company between 2.00 p.m. and 4.00 p.m. on any working day of the Company.

By Order of the Board

D M RAJA
Vice President & Company Secretary

Mumbai: 21 March 2001

Registered Office :
17 R Kamani Marg
Ballard Estate
Mumbai 400 001

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Report of the Directors

TO THE MEMBERS

Your Directors have pleasure in presenting their Fifty-seventh Annual Report and Audited Accounts of the Company for the year ended 31 December 2000.

Financial Results

(Rupees in Crores)

	Year ended 31-12-2000	*Year ended 31-12-1999*
Sales	**333.31**	*291.03*
Profit before tax and Extraordinary item	**71.51**	*46.37*
Extraordinary item:		
Profit on sale of Sion property	**13.15**	*29.79*
Profit before tax	**84.66**	*76.16*
Profit after tax	**72.20**	*68.52*
Balance brought forward	**70.29**	*81.38*
Profit available for appropriation	**142.49**	*149.90*
Appropriations:		
Dividend:		
Interim dividend	**48.60**	–
Annual dividend (Proposed)	**24.30**	*15.39*
Special onetime millennium dividend	–	*50.22*
Corporate Dividend Tax	**10.84**	*7.32*
Transfer to Reserves	**7.51**	*6.68*
Balance carried forward	**51.24**	*70.29*

Dividend

An interim dividend of Rs. 30 per share was declared by the Board of Directors on 12 April 2000 and paid on 15 May 2000. Your Directors now recommend payment of a final dividend of Rs. 15 per share on 162,00,000 fully paid-up equity shares of Rs.10 each of the Company. The proposed dividend, if approved at the Annual General Meeting, together with the interim dividend of Rs. 30 per share paid in May 2000, will absorb a sum of Rs. 72.90 crores (Previous year: Rs. 65.61crores). The Corporate Dividend Tax is provided at the rate applicable on the day on which the Accounts were approved by the Board of Directors.

Reserves

The total Reserves as on 31 December 2000 amounted to Rs. 79.11 crores comprising of Amalgamation Reserve amounting to Rs. 0.37 crores, Revenue Reserve amounting to Rs. 27.50 crores and Surplus as per Profit & Loss Account amounting to Rs. 51.24 crores. With effect from the current year, the Company has started providing for deferred tax liability. Accordingly, the net deferred tax liability amounting to Rs. 11.50 crores is adjusted against the opening Revenue Reserves.

Operations

Sales (including other income) for the financial year ended 31 December 2000 amounted to Rs. 364.31 crores as compared to Rs. 302.00 crores for the year ended 31 December 1999.

The Company continued its efforts to improve productivity and contain costs. The profit before taxation and extraordinary item amounted to Rs. 71.51 crores as compared to Rs. 46.37 crores for the year ended 31 December 1999. The extraordinary item for the year ended 31 December 2000 amounted to Rs. 13.15 crores as compared to Rs. 29.79 crores for the year ended 31 December 1999. The balance portion of the Sion property has been disposed of and the extraordinary item for the year ended 31 December 2000 represents profit on sale of this property.

During the year, the operations of the Company were adversely affected by price reductions in some of the formulations as well as absence of compensatory price increases in some of the price-controlled formulations.

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