



58th Financial Report
2001



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

CORPORATE MANAGEMENT

D M GAVASKAR

Managing Director & President

S JAIN

Director – Marketing

N Y KATRE

Director – Supply Chain

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

DR A RODRIGUES

Regional Medical Director

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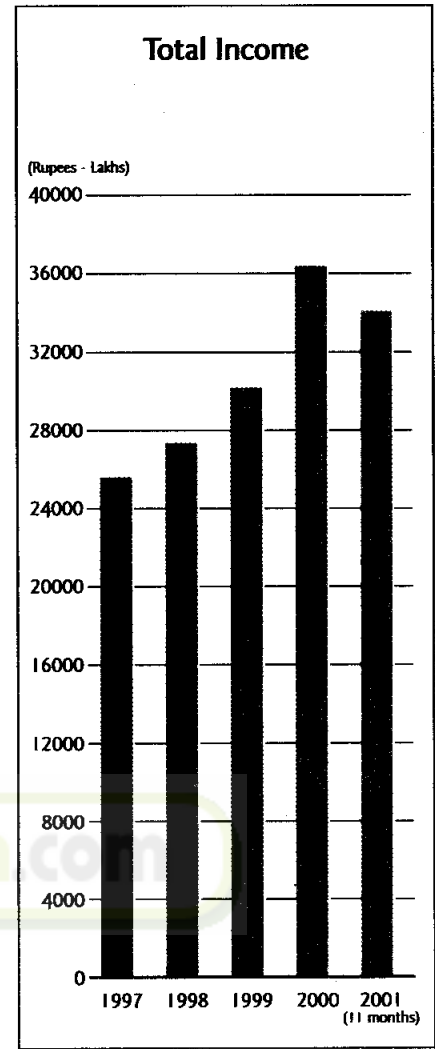
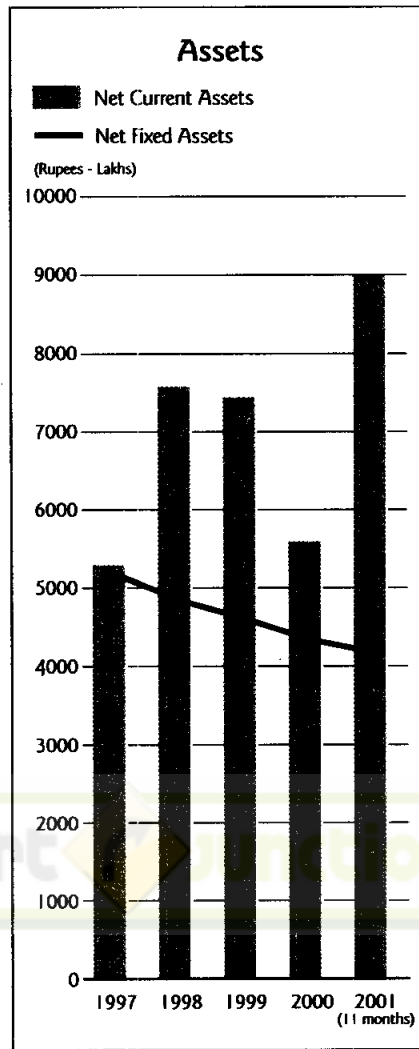
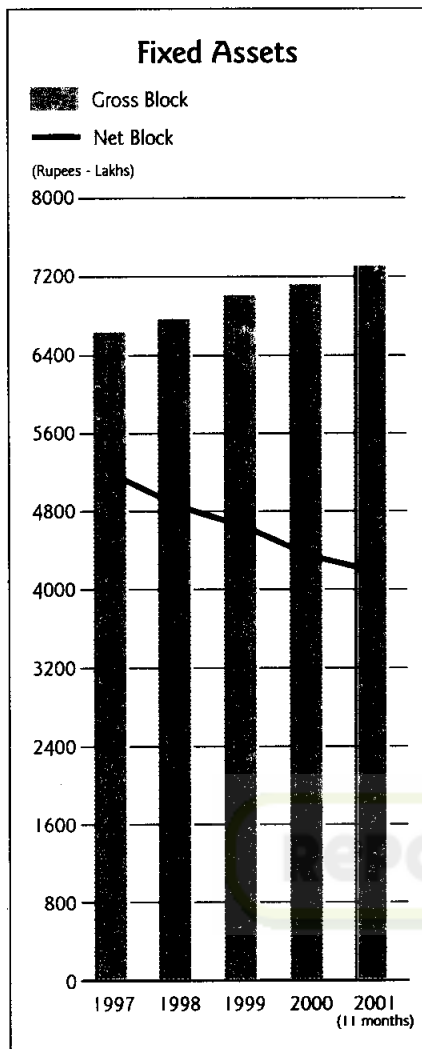
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Highlights

	1992-93	1993-94	1994-95	1995 (9 months)	1996	1997	1998	1999	2000	2001 (11 months)
(Rupees in lakhs)										
OPERATING RESULTS										
SALES AND OTHER INCOME	13435.37	16034.14	21437.71	18858.66	24843.70	25598.41	27340.58	30200.38	36430.78	34119.21
MATERIALS	6236.99	6852.41	9989.37	9746.78	13789.73	13306.92	14680.15	16417.52	19214.62	19137.63
SALARIES, BONUS AND STAFF WELFARE	1830.32	1746.78	2386.47	1040.22	1279.03	1524.93	1711.82	1612.96	1991.00	1857.12
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES	3857.93	4839.35	5456.52	5070.10	5319.15	5679.21	5735.90	6991.54	7395.28	6207.07
DEPRECIATION	198.63	185.74	160.95	137.71	378.83	598.51	528.43	508.86	533.08	447.88
INTEREST	223.82	272.61	256.40	246.66	349.01	46.75	55.37	32.35	145.91	12.31
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	1087.68	2137.25	3188.00	2617.19	3727.95	4442.09	4628.91	4637.15	7150.89	6457.20
EXTRAORDINARY ITEM — EXPENDITURE/(INCOME)	—	727.25	2462.54	1133.33	730.22	(2447.93)	1338.85	(2978.69)	(1315.57)	—
PROVISION FOR TAXATION	495.00	603.41	3.37	473.63	950.00	1895.35	585.56	764.20	1246.12	1588.02
PROFIT AFTER TAX AND EXTRAORDINARY ITEM	592.68	806.59	722.09	1010.23	2047.73	4994.67	2704.50	6851.64	7220.34	4869.18
RETAINED EARNINGS	301.08	498.79	381.89	726.73	1521.23	4229.22	1546.20	(441.60)	(1153.44)	3083.94
EARNINGS PER SHARE (Rs.)	7.3	10.0	8.9	12.5	25.3	61.7	16.7	42.3	44.6	30.1
DIVIDEND PER SHARE (Rs.)	3.6	3.8	4.2	3.5	6.5	8.0	6.5	40.5	45.0	10.0
FINANCIAL SUMMARY										
ASSETS EMPLOYED										
FIXED ASSETS (At Cost)	2824.49	3011.93	3352.58	4944.95	6301.57	6613.11	6752.46	6999.60	7104.32	7295.56
FIXED ASSETS (Net)	1178.67	1235.17	2143.49	3621.43	5459.84	5181.57	4852.00	4621.22	4344.95	4170.39
ASSETS HELD FOR DISPOSAL (Net)	—	—	196.04	174.27	71.81	65.67	60.12	—	—	—
CURRENT ASSETS (Net)	3112.70	4616.73	2828.30	1749.19	1383.68	5274.47	7586.66	7441.23	5590.06	8984.69
TOTAL ASSETS	4291.37	5851.90	5167.83	5544.89	6915.33	10521.71	12498.78	12062.45	9935.01	13155.08
FINANCED BY										
SHARE CAPITAL	810.00	810.00	810.00	810.00	810.00	810.00	1620.00	1620.00	1620.00	1620.00
RESERVES AND SURPLUS	2045.23	2544.02	1694.64	3134.94	5173.87	9403.09	10656.10	10214.50	7911.35	11296.61
TOTAL SHAREHOLDERS' FUNDS	2855.23	3354.02	2504.64	3944.94	5983.87	10213.09	12276.10	11834.50	9531.35	12916.61
BORROWINGS	1436.14	2497.88	2663.19	1599.95	931.46	308.62	222.68	227.95	403.66	238.47
DEBT : EQUITY	0.5	0.7	1.1	0.4	0.2	—	—	—	—	—
NUMBER OF SHAREHOLDERS	12960	13229	14155	14594	13341	11263	11607	13223	16156	14699

Knoll Pharmaceuticals Ltd



How our Income was spent				
	2001 (11 months)		2000	
	Rupees (in Lakhs)	%	Rupees (in Lakhs)	%
1. Materials	19137.63	56.1	19214.62	50.9
2. Salaries	1857.12	5.5	1991.00	5.3
3. Depreciation	447.88	1.3	533.08	1.4
4. Other Expenses	6219.38	18.2	7541.19	20.0
5. Tax	1588.02	4.7	1246.12	3.3
6. Dividend (Includes Corporate Dividend Tax)	1785.24	5.2	8373.78	22.2
7. Retained Earnings	3083.94	9.0	(1153.44)	(3.1)



Notice

Notice is hereby given that the Fifty-eighth Annual General Meeting of Knoll Pharmaceuticals Ltd will be held at Jai Hind College Auditorium, A Road, Churchgate, Mumbai 400 020 on Tuesday, 30 April 2002 at 3.00 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 30 November 2001 and the Profit and Loss Account for the financial year (eleven months) ended on that date and the Reports of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr Munir Shaikh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr V D Narkar, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration.

Special Business:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

RESOLVED that pursuant to Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the name of the Company be changed from "Knoll Pharmaceuticals Limited" to "Abbott India Limited" and immediately upon such change in the name of the Company being complete and effective, the new name "Abbott India Limited" be substituted for the existing name wherever it occurs in the Memorandum and Articles of Association of the Company.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

(A) In Article 2 –

- (i) Upon the change in the name of the Company from "Knoll Pharmaceuticals Limited" to "Abbott India

Limited" taking effect, the following definition of "The Company" or "this Company" be substituted in place of the existing one –

"The Company" or "this Company" means Abbott India Limited.

- (ii) The definition of "Lupharma GmbH" be deleted and the following definition be substituted in place thereof:–

"Abbott" means Lupharma UK Holding One Limited (Lupharma, UK) and/or Abbott Equity Holdings Limited (Abbott, UK), both companies incorporated and existing under the laws of England and Wales and includes (a) any body corporate with which Lupharma, UK and/or Abbott, UK may amalgamate or merge or (b) any parent or subsidiary company of Abbott or the body corporate referred to in (a); or (c) any of its affiliated company or companies.

- (iii) The definition of the words and expression "Notice from Lupharma" be deleted and the following definition of "Notice from Abbott" be substituted in place thereof:–

"Notice from Abbott" means a notice in writing addressed to the Board of Directors of the Company by Lupharma UK Holding One Limited (Lupharma, UK) and/or Abbott Equity Holdings Limited (Abbott, UK), under the hand of its Director, Secretary or any other principal or authorised officer.

- (B) The name and expression "Abbott" be substituted in place of "Lupharma" wherever appearing in Article 133A, 142 and 143 of the Articles of Association.

- (C) Article 151A be deleted and the following new Article 151A be substituted in place thereof:–

"151A Abbott shall, for any reason whatsoever and at its sole discretion be entitled to at any time by written notice to the Company to call upon the Company to discontinue the use of the word "Abbott" in any form or manner as part of its corporate or trade name and to change the name of the Company in such manner as to delete the word "Abbott" appearing in the name thereof and the Company shall, within 120 days from the date of receipt of such notice –

- (a) discontinue the use of the word "Abbott" as a part of its corporate or trade name, and

- (b) take all such steps as may be necessary for the purpose of changing its name as aforesaid.

Any new corporate or trade name which the Company may adopt shall not consist of any word or expression "Abbott" or any similar word or expression.

All the shareholders of the Company shall be deemed to have agreed and undertaken to exercise their rights as shareholders and especially their voting rights in such a manner as would enable the Company to comply with or implement the provisions of this Article and shall be deemed to continue as shareholders on that basis."

By Order of the Board

D M RAJA

Vice President & Company Secretary

Mumbai: 27 February 2002

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

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. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is appended hereto.
- iii. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 16 April 2002 to Tuesday, 30 April 2002 (both days inclusive).
- iv. Dividend recommended by the Directors and approved by the members at the Annual General Meeting will be paid on 28 May 2002 to those members whose names appear on the Register of Beneficial Owners and Register of Members on 30 April 2002. In respect of shares held in electronic form, dividend would be payable on the basis of beneficial ownership as per details furnished by the Depository Participants.
- v. 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.
- vi. 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 15 April 2002.
- vii. 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.
- viii. 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 ended 31 December 1995 or thereafter are requested to write to the Registrars & Share Transfer Agents.
- ix. As per the amended Companies Act, 1956, facility for nomination 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.
- x. 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.
- xi. 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.



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

Item No. 6

In the last Annual Report and Annual General Meeting of the Company the shareholders were informed that BASF AG had announced the worldwide sale of its pharmaceuticals business to Abbott Laboratories, headquartered in Abbott Park, Illinois, USA and that the purchase of 51% equity shareholding of the BASF Group in our Company also formed a part of this transaction. Consequently, the pharmaceutical activities of BASF worldwide have also been integrated with the pharmaceutical activities of Abbott and its subsidiaries.

Following the acquisition by Abbott of 51% shareholding in our Company, on 9 March 2001, Abbott Equity Holdings Limited UK and Abbott Laboratories, USA made an Offer to acquire additional 20% of the voting equity share capital of our Company under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Pursuant to the said Offer, Abbott has increased its stake in the Company by acquiring an additional 7.2% of the voting equity share capital of our Company. Thus the aggregate shareholding of Abbott in our Company presently stands at 58.2%.

Abbott is a global diversified healthcare company devoted to discovery, development, manufacture and marketing of pharmaceutical, diagnostic, nutritional and hospital products and the integration of the pharmaceuticals business of BASF with Abbott is expected to enhance Abbott's position as a global pharmaceutical company through increased sales, greater pharmaceutical research, development capacity and also benefit your Company's operations in the coming years.

It is therefore proposed to change the name of our Company to "Abbott India Limited" to reflect the association of our Company with companies in the Abbott Group.

Under Section 21 of the Companies Act, 1956, the change of name of the Company requires a special resolution and the approval of the Central Government. After the change is approved

by the shareholders, an application will be made to the Central Government for its approval. The change of name will be complete and effective on issue by Registrar of Companies, of a fresh certificate of incorporation and will not affect any existing rights or obligations of the Company. After the change of name is approved by the shareholders and the Central Government, the Memorandum and Articles of Association of the Company will be amended to reflect the new corporate name.

Item No. 7

The amendments proposed to the Articles of Association are consequential to the proposed change in the name of the Company and the acquisition of the 58.2% equity shareholding of Abbott Laboratories, USA in the Company by Lupharma UK Holding One Limited (Lupharma,UK) and Abbott Equity Holdings Limited (Abbott, UK), both companies in the Abbott Group. Lupharma UK is a wholly owned subsidiary of Abbott, UK whose entire share capital is held by Abbott Laboratories, USA, the ultimate parent company.

Under Section 31 of the Companies Act, 1956 the alteration of the Articles requires the authority of the shareholders by a special resolution.

The Articles of Association are available for inspection by any member of the Company at its registered office on any working day between 2.00 p.m. and 4.00 p.m. upto the date of the Annual General Meeting.

By Order of the Board

D M RAJA
Vice President & Company Secretary

Mumbai: 27 February 2002

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

Report of the Directors

TO THE MEMBERS

Your Directors have pleasure in presenting the Fifty-eighth Annual Report and Audited Accounts of the Company for the period 1 January 2001 to 30 November 2001.

Financial Results

(Rupees in Crores)

	Period ended 30-11-2001	Year ended 31-12-2000
Sales	324.59	333.31
Profit before tax and Extraordinary item	64.57	71.51
Extraordinary item: Profit on sale of Sion property	—	13.15
Profit before tax	64.57	84.66
Profit after tax	48.69	72.20
Balance brought forward	51.24	70.29
Write back of Corporate Dividend Tax in respect of previous year	3.01	—
Profit available for appropriation	102.94	142.49
Appropriations:		
Dividend:		
Interim dividend	—	48.60
Annual dividend (Proposed)	16.20	24.30
Corporate Dividend Tax	1.65	10.84
Transfer to Reserves	5.00	7.51
Balance carried forward	80.09	51.24

Dividend

Your Directors recommend a dividend of Rs. 10 per share on 1,62,00,000 fully paid-up equity shares of Rs. 10 each of the Company. The proposed dividend, if approved at the Annual General Meeting, will absorb a sum of Rs. 16.20 crores (Previous year: Rs. 72.90 crores).

Reserves

The total Reserves as on 30 November 2001 amounted to Rs. 112.97 crores comprising of Amalgamation Reserve amounting

to Rs. 0.38 crores, Revenue Reserve amounting to Rs. 32.50 crores and Surplus as per Profit & Loss Account amounting to Rs. 80.09 crores.

Operations

Sales (including other income) for the financial year ended 30 November 2001 (11 months) amounted to Rs. 341.19 crores as compared to Rs. 364.31 crores for the year ended 31 December 2000.

The Company is continuing its efforts to improve productivity and contain costs. The profit before taxation and extraordinary item amounted to Rs. 64.57 crores as compared to Rs. 71.51 crores for the year ended 31 December 2000.

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.

During the year under review, the Company launched Brucodin to compete in the higher end of the pain management market. Brucodin, which has received a good response from the medical profession and is performing satisfactorily in the market place will help to strengthen our franchise in the pain management segment.

The Company's Plant at Jejuri achieved the targeted production. However, rising costs at this location have increasingly become a cause for concern. The Company is therefore contemplating divestment of this Undertaking as mentioned below. The Company's Plant at Verna, Goa has performed well during the year and continues to be eligible for tax holiday pursuant to Section 80-IA of the Income-tax Act, 1961.

Sale of Jejuri Undertaking

The Company's Undertaking at MIDC Industrial Area, Plot No E-1, Jejuri, District Pune was set up in 1990 and has since been engaged in the manufacture of various pharmaceutical formulations. With increased market competition and globalisation as well as general slowdown in the economy it was felt necessary to take certain



rationalisation measures to restructure the Company's manufacturing operations, to enable the Company to continue its business operations more effectively and in a cost efficient manner.

As part of such restructuring activity, the Company is negotiating with prospective buyer/s to dispose of its said Undertaking as a going concern for such consideration and on such terms and conditions as the Board may deem fit in the best interests of its stakeholders.

The divestment of the Company's Undertaking at Jejuri will result in release of capital invested in the manufacturing facilities. This is expected to contribute to the savings and improve the profitability of the Company, besides generating investible resources for the accelerated growth and expansion of its business activity.

The consent of the members to this proposal is being sought by postal ballot, the results of which will be announced on 12 April 2002.

Change of name

Last year, the shareholders were informed of the announcement by BASF AG of the worldwide sale of its pharmaceuticals business to Abbott Laboratories, headquartered in Abbott Park, Illinois, USA which included the purchase of 51% equity shareholding of the BASF Group in our Company.

Following the acquisition by Abbott of 51% shareholding, on 9 March 2001, Abbott Equity Holdings Limited, UK and Abbott Laboratories, USA made an Offer to acquire additional 20% of the voting equity share capital of our Company under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Pursuant to the said Offer, Abbott has increased its stake in the Company by acquiring an additional 7.2% of the voting equity share capital of our Company. Thus the aggregate shareholding of Abbott in our Company presently stands at 58.2%.

It is now proposed to change the name of our Company to "Abbott India Limited" to reflect the association of our Company with companies in the Abbott Group. Your Directors have pleasure in recommending the change of name as proposed in the accompanying Notice.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 your Directors state that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the eleven months period ended 30 November 2001 and of the profit of the Company for that period, except for the following –

The depreciation on computers, photocopiers, facsimile machines, modems and appliances is provided at the rate of 80% (See Schedule 17 – Significant Accounting Policies 2).

3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the accompanying Annual Accounts for the eleven months period ended November 2001 on a going concern basis.

Fixed Deposits

As on 1 January 2001 the Company was holding an aggregate sum of Rs. 1.07 lakhs on account of deposits received earlier from the public, employees and shareholders. However, deposits amounting to Rs. 0.21 lakh which had remained unclaimed so far were paid during the financial year. The balance outstanding amount of Rs. 0.86 lakh which was still unclaimed has now been transferred to the Investor Education and Protection Fund, pursuant to Section 205C of the Companies Act, 1956. No fresh deposits were accepted during the year.

Subsidiary Companies

Pursuant to the requirements of Section 212 of the Companies Act, 1956, the annual accounts for the eleven months period ended

30 November 2001 as also the Auditors' and Directors' Report in respect of the Company's wholly owned subsidiary, Lenbrook Pharmaceuticals Ltd, is attached to the accounts of the Company. As required by Clause 32 of the Listing Agreement with the Mumbai Stock Exchange, Consolidated Financial Statements are also attached.

Information pursuant to Section 217 of the Companies Act, 1956

The information required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is given in Annexure I and forms part of this Report.

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure II and forms part of this Report. As per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts is being sent to the shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company at its Registered Office.

Directors

Under Article 124 of the Articles of Association of the Company, Mr Munir Shaikh and Mr V D Narkar retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Notices in writing have been received from some members expressing their intention to propose the re-appointment of Mr Munir Shaikh and Mr V D Narkar as candidates for the office of director in our Company. Your Directors have pleasure in recommending their appointment.

Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants retire at this Annual General Meeting and are eligible for re-appointment as Auditors.

Health, Safety and Environment

The Company continues to accord utmost priority to the areas of health, safety and environment. Compliance with safety norms and regular monitoring of effluents are an integral part of the Company's operating systems.

Technology Absorption and Development

Development of new formulations and dosage forms and modification of existing ones for cost containment and improved productivity is an ongoing process and the Company is constantly engaged in activities of development and clinical research. The R&D Centre of the Company located at Goa has made significant contributions towards its assigned goals of product and process development. Medical Sciences Division has also contributed significantly towards clinical research.

The Company has from time to time received valuable know-how, guidance and support from the parent company which has resulted in manufacturing process upgradation, improved packaging and cost containment and the Company is indeed grateful to them.

Employees

Relations between the employees and management continued to be cordial during the period under review.

Reports on Corporate Governance & Management Discussion & Analysis

A Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as also a Management Discussion & Analysis Report pursuant to Clause 49 of the Listing Agreement are annexed hereto.

For and on behalf of the Board

D M Gavaskar	R A Shah
Managing Director & President	Director

Mumbai : 27 February 2002