



better life through better health



knoll
BASF Pharma

56th Annual Report



*Quality products
from Knoll*

BOARD OF DIRECTORS

P WAKEFORD

Chairman

D M GAVASKAR

Managing Director & President

U C KIRTIKAR

S JAIN

T SCHÄTZLE

P TONNE

R A SHAH

V D NARKAR

Vice President & Company Secretary

D M RAJA

Bankers

ANZ Grindlays Bank Ltd

Banque Nationale de Paris

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

U C KIRTIKAR

Director – Finance

S JAIN

Director – Marketing

DR J S BAKSHI

Vice President – Medical Sciences

N Y KATRE

Vice President – Supply Chain

DR A V PRABHU

Vice President – Quality Control & Development

D M RAJA

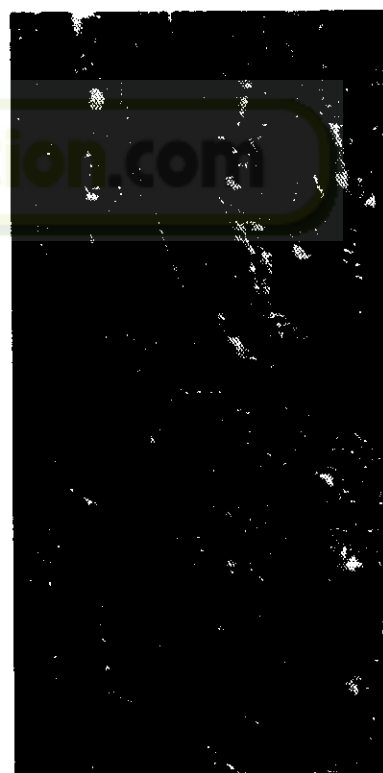
Vice President & Company Secretary

A V CHANDORKAR

Vice President – Human Resources & Administration

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Serving mankind through
pharmaceutical research
and development

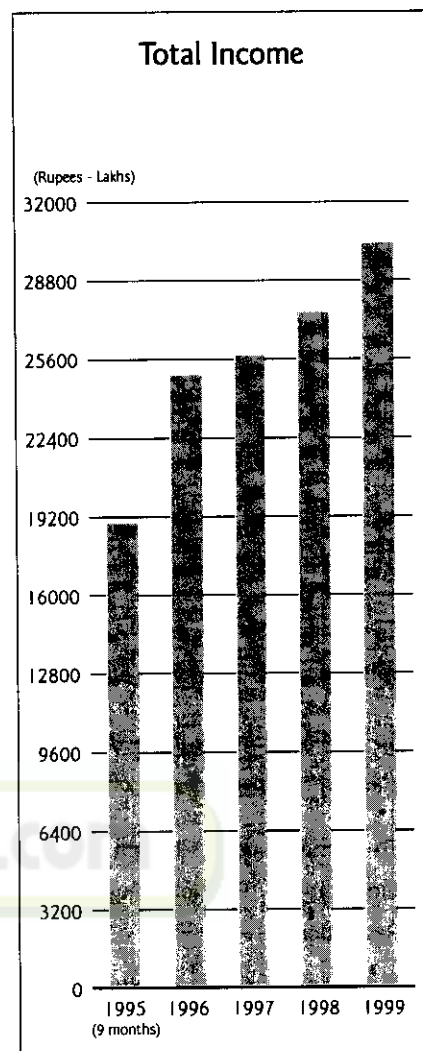
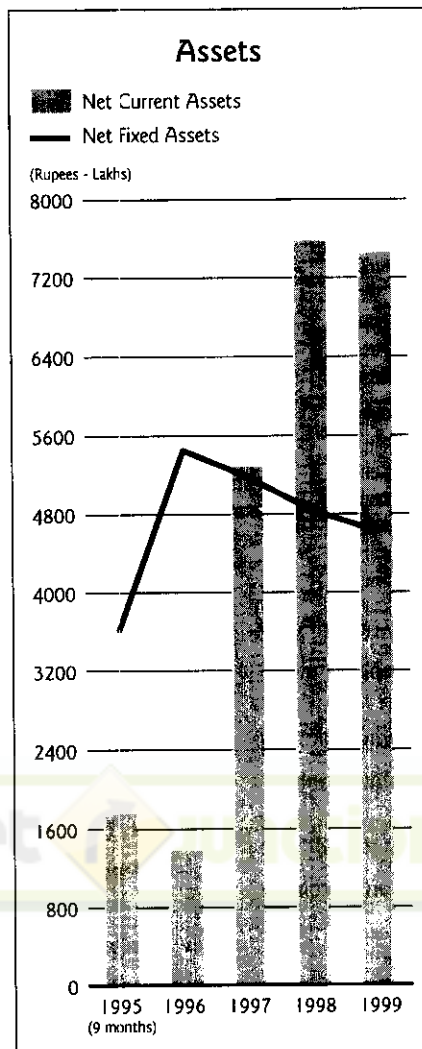
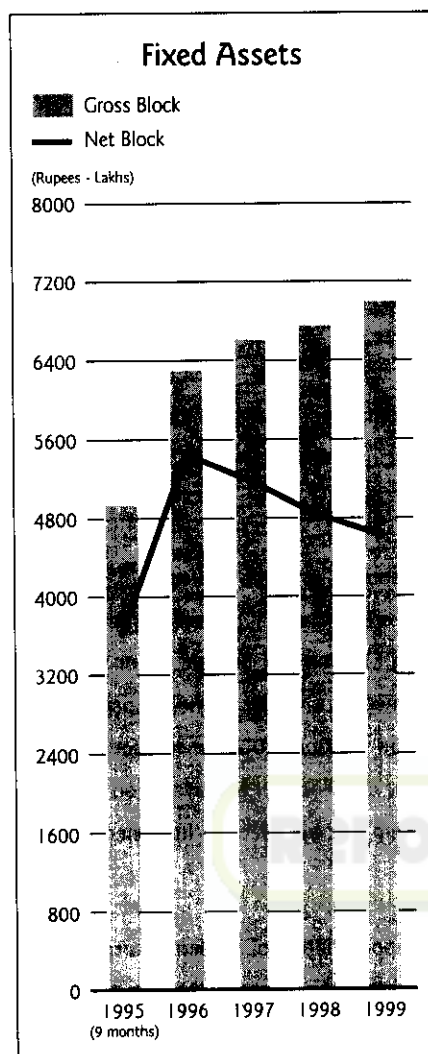


Report & Accounts 1999

Highlights

	1990-91	1991-92	1992-93	1993-94	1994-95	1995 (9 months)	1996	1997	1998	1999
(Rupees in lakhs)										
OPERATING RESULTS										
SALES AND OTHER INCOME	8851.43	10844.34	13435.37	16034.14	21437.71	18858.66	24843.70	25598.41	27340.58	30200.38
MATERIALS	3548.08	4589.99	6236.99	6852.41	9989.37	9746.78	13789.73	13306.92	14680.15	16417.52
SALARIES, BONUS AND STAFF WELFARE	1372.04	1595.90	1830.32	1746.78	2386.47	1040.22	1279.03	1524.93	1711.82	1612.96
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES	2588.33	3095.45	3857.93	4839.35	5456.52	5070.10	5319.15	5679.21	5735.90	6991.54
DEPRECIATION	170.19	212.86	198.63	185.74	160.95	137.71	378.83	598.51	528.43	508.86
INTEREST	183.78	271.63	223.82	272.61	256.40	246.66	349.01	46.75	55.37	32.35
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	989.01	1078.51	1087.68	2137.25	3188.00	2617.19	3727.95	4442.09	4628.91	4637.15
EXTRAORDINARY ITEM — EXPENDITURE/(INCOME)	—	—	—	727.25	2462.54	1133.33	730.22	(2447.93)	1338.85	(2978.69)
PROVISION FOR TAXATION	409.49	485.25	495.00	603.41	3.37	473.63	950.00	1895.35	585.56	764.20
PROFIT AFTER TAX AND EXTRAORDINARY ITEM	579.52	593.26	592.68	806.59	722.09	1010.23	2047.73	4994.67	2704.50	6851.64
RETAINED EARNINGS	320.32	317.86	301.08	498.79	381.89	726.73	1521.23	4229.22	1546.20	(441.60)
EARNINGS PER SHARE (Rs.)	7.2	7.3	7.3	10.0	8.9	12.5	25.3	61.7	16.7	42.3
DIVIDEND PER SHARE (Rs.)	3.2	3.4	3.6	3.8	4.2	3.5	6.5	8.0	6.5	40.5
FINANCIAL SUMMARY										
ASSETS EMPLOYED										
FIXED ASSETS (At Cost)	2677.54	2848.63	2824.49	3011.93	3352.58	4944.95	6301.57	6613.11	6752.46	6999.60
FIXED ASSETS (Net)	1353.87	1323.99	1178.67	1235.17	2143.49	3621.43	5459.84	5181.57	4852.00	4621.22
ASSETS HELD FOR DISPOSAL (Net)	—	—	—	—	196.04	174.27	71.81	65.67	60.12	—
CURRENT ASSETS (Net)	2342.44	2646.15	3112.70	4616.73	2828.30	1749.19	1383.68	5274.47	7586.66	7441.23
TOTAL ASSETS	3696.31	3970.14	4291.37	5851.90	5167.83	5544.89	6915.33	10521.71	12498.78	12062.45
FINANCED BY										
SHARE CAPITAL	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	1620.00	1620.00
RESERVES AND SURPLUS	1426.29	1744.15	2045.23	2544.02	1694.64	3134.94	5173.87	9403.09	10656.10	10214.50
TOTAL SHAREHOLDERS' FUNDS	2236.29	2554.15	2855.23	3354.02	2504.64	3944.94	5983.87	10213.09	12276.10	11834.50
BORROWINGS	1460.02	1415.99	1436.14	2497.88	2663.19	1599.95	931.46	308.62	222.68	227.95
DEBT : EQUITY	0.7	0.6	0.5	0.7	1.1	0.4	0.2	—	—	—
NUMBER OF SHAREHOLDERS	11570	12230	12960	13229	14155	14594	13341	11263	11607	13223

Knoll Pharmaceuticals Ltd



Shareholding Pattern		
Number of Equity Shares held	Number of Shareholders	Total Number of Shares
1 to 50	3789	123507
51 to 100	3631	346060
101 to 500	3868	1004263
501 to 1000	1010	734485
1001 & above	925	13991685
Total	13223	16200000

	1999		1998	
	Rupees (in Lakhs)	%	Rupees (in Lakhs)	%
1. Materials	16417.52	49.5	14680.15	53.7
2. Salaries	1612.96	4.9	1711.82	6.3
3. Depreciation	508.86	1.5	528.43	1.9
4. Other Expenses	7023.89	21.2	5791.27	21.2
5. Extraordinary item	—	—	1338.85	4.9
6. Tax	764.20	2.3	585.56	2.1
7. Dividend (Includes Corporate Dividend Tax)	7293.24	22.0	1158.30	4.2
8. Retained Earnings	(441.60)	(1.4)	1546.20	5.7



Notice

NOTICE is hereby given that the Fifty-sixth 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 Thursday, 27 April 2000 at 3.00 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at 31 December 1999 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 an annual dividend for the year ended 31 December 1999 and a special onetime millennium dividend.
3. To appoint a Director in place of Dr Peter Tonne who retires by rotation and, being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr T Schätzle who retires by rotation and, being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

"RESOLVED THAT Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company in place of Messrs Deloitte Haskins & Sells, Calcutta, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration."

By Order of the Board

D M Raja

Vice President & Company Secretary

Mumbai:
10 March 2000

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. The Register of Members and Share Transfer Books of the Company will remain closed from 18 April 2000 to 27 April 2000 (both days inclusive).
- iii. Dividend (including special onetime millennium dividend) recommended by the Directors and approved by the members at the Annual General Meeting will be paid on or before 15 May 2000 to those members whose names appear on the Register of Members on 27 April 2000. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories.
- 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 presently offer this facility to members located at Ahmedabad, Bangalore, Calcutta, Chennai, Delhi, 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 2000.
- 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 1995-96 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 has been 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. 5

Consequent upon reconstitution of their firm, the retiring auditors Messrs Deloitte Haskins & Sells, Calcutta, have expressed their inability to seek re-appointment as Auditors of the Company. Instead, it is proposed to appoint Messrs Deloitte Haskins & Sells, Mumbai, as statutory auditors in their place. Pursuant to Section 225(1) of the Companies Act, 1956, special notice has been received from a member proposing the appointment of Messrs Deloitte Haskins & Sells, Mumbai, as auditors of the Company.

By Order of the Board

D M Raja

Vice President & Company Secretary

Mumbai:
10 March 2000
Registered Office:
17 R Kamani Marg
Ballard Estate
Mumbai 400 001



Report of the Directors

TO THE MEMBERS

Your Directors have pleasure in presenting their Fifty-sixth Annual Report and Audited Accounts of the Company for the year ended 31 December 1999.

Financial Results

(Rupees in Crores)

	Year ended 31-12-1999	Year ended 31-12-1998
Sales	291.03	262.37
Profit before tax and Extraordinary items	46.37	46.29
Extraordinary items:		
(a) Profit on sale of Sion premises	29.79	—
(b) One-time consideration paid for marketing/technical knowhow and trademark for formulations	—	(10.20)
(c) Expenditure under voluntary retirement scheme	—	(3.19)
Profit before tax	76.16	32.90
Profit after tax	68.52	27.05
Balance brought forward	81.38	63.99
Profit available for appropriation	149.90	91.04
Appropriations:		
Proposed dividend:		
Annual dividend	15.39	10.53
Special onetime millennium dividend	50.22	—
Corporate Dividend Tax	7.32	1.05
Transfer to Reserves	6.68	2.58
Profit of amalgamated companies	—	4.51
Balance carried forward	70.29	81.38

Dividend

Your Directors recommend an annual dividend of Rs. 9.50 per share and a special onetime millennium dividend of Rs. 31.00 per share

on 162,00,000 fully paid-up equity shares of Rs.10 each of the Company. The proposed dividends, if approved at the Annual General Meeting will absorb a total sum of Rs. 65.61 crores (Previous year: Rs. 10.53 crores).

Reserves

The total Reserves as on 31 December 1999 amounted to Rs. 102.15 crores comprising of Amalgamation Reserve amounting to Rs. 0.38 crores, Revenue Reserve amounting to Rs. 31.48 crores and Surplus as per Profit & Loss Account amounting to Rs. 70.29 crores.

Operations

Sales (including other income) for the financial year ended 31 December 1999 amounted to Rs. 302.00 crores as compared to Rs. 273.41 crores for the year ended 31 December 1998.

The Company continued its efforts to improve productivity and contain costs. The profit before taxation amounted to Rs. 46.37 crores as compared to Rs. 46.29 crores for the year ended 31 December 1998. The extraordinary item for the year ended 31 December 1999 represents profit on sale of Sion premises to Neo-Pharma Pvt Ltd., details of which are set out later in this Report.

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

The Company's major products, Brufen and Digene have registered significant volume declines over the last two to three years. Price reduction announced by the Government has also forced the Company to discontinue Betonin capsules. At end November 1999, Government again announced a cut in ibuprofen prices and a consequent reduction in formulation prices may not be too far. A number of the Company's products such as Kinetone, Betonin and Protussa Plus operated in markets which have stagnated, resulting in irrational competition from other

Knoll Pharmaceuticals Ltd

companies. Our Marketing Divisions are redesigning their plans and will focus on opportunities that exist in the market place for their products.

During the year under review, the Company launched a number of new products and line extensions of existing products. The Company launched Thyronorm, to counter hypothyroidism – the most common disorder of the thyroid function; Nuclav Duo range of formulations to treat respiratory tract infections; Epilex 500 and Epicom – both extensions of the epilepsy portfolio for managing uncontrolled epilepsy; Noyolet, a pre-filled insulin delivery device; Cremaffin Plus, a laxative for severe cases of constipation; and Clivarine 3436 I.U., a higher strength of heparin for use in the treatment of DVT and haemodialysis, apart from prophylaxis in high risk surgeries.

The Company's Plant at Jejuri which was commissioned in 1990 completed a decade and continues to enjoy concessional tax benefits under the Income Tax Act, 1961 and sales tax deferral under the Package Scheme of Incentives announced by the Government of Maharashtra. The Company's Plant at Verna, Goa also performed well during the year and is also eligible for tax holiday pursuant to Section 80-IA of the Income Tax Act, 1961.

Sale of Sion premises

The Company had entered into an Agreement with Neo-Pharma Pvt. Ltd (Neo-Pharma) for the sale of its Sion Undertaking for a total consideration of Rs. 66 crores during the year 1995. After paying an advance of Rs. 25.45 crores, Neo-Pharma pleaded its inability to progress with the transaction. Therefore, the transaction of sale did not materialise, as proposed. It was therefore decided to refer the matter to arbitration. Based on such arbitration, the property comprising the Sion Undertaking was notionally bifurcated into two separate portions, namely Plot 'A' admeasuring 7408 square meters and Plot 'B' admeasuring 8643 square meters. The total consideration for Plot 'A' worked out to Rs. 30.11 crores. Accordingly Neo-Pharma was directed by the arbitrator to pay a further sum of Rs. 4.66 crores which has since been received and consequently possession of Plot 'A' was handed over to Neo-Pharma, during the year.

Fixed Deposits

No fresh deposits were accepted during the year. As on 31 December 1999 deposits received earlier from the public, employees and shareholders stood at Rs. 1 lakh. No deposits which matured during the year have remained unpaid as on 31 December 1999.

Subsidiary Company

Pursuant to Section 212 of the Companies Act, 1956, the annual accounts for the year ended 31 December 1999 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.

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 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 Company's Articles of Association, Dr P Tonne and Mr T Schätzle retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Notices in writing have been received from some

