

ABBOTT LABORATORIES

(INDIA) LIMITED

| | | | | | |
|-----|--|--|--|--|--|
| MD | | | | | |
| CS | | | | | |
| RO | | | | | |
| TRA | | | | | |
| ACM | | | | | |
| YE | | | | | |



Report Junction.com

HEALTH CARE
WORLD WIDE

ANNUAL REPORT
1997-98



ABBOTT LABORATORIES (INDIA) LIMITED**BOARD OF DIRECTORS****Chairman**

R. A. Shah

(Alternate to Mr. C. M. Brock)

Managing Director

Tapan Ray

Directors

J. M. Bhatt

C. M. Brock

T. C. Kearney

A. Higgins

M. A. Shaikh

H. A. Patel

(upto December 17, 1997)

Angelo Kondes

(Alternate to Mr. A. Higgins)

(upto June 29, 1998)

Dr. R. G. Presswala

(upto June 29, 1998)

R. Chandrasekaran

(w.e.f. June 29, 1998)

Company Secretary

S. Shankar

Registered Office

Jehangir Building,
133, Mahatma Gandhi Road,
Mumbai 400 023.

Tel. : 267 2159 / 267 1815

Fax : 265 8313

Bankers

State Bank of India

Canara Bank

ANZ Grindlays Bank

Societe Generale

The Bank of Tokyo -Mitsubishi Ltd..

Auditors

P. C. Hansotia & Co.

Solicitors

Crawford Bayley & Co.

MANAGEMENT TEAM

Tapan Ray

Managing Director

J. M. Bhatt

Finance Director

R. D. Patil

Director - Human Resources

Dr. S. K. Banerjee

Director - Scientific/Q.A.

Dr. (Mrs.) A. Rodrigues

*Regional Medical Director***Factory**

Plot No. 3203, G.I.D.C. Industrial Area,
Ankleshwar - 393 002 (Gujarat)

Depots

Ahmedabad

Calcutta

Chennai

Mumbai

New Delhi

**Registrars & Share
Transfer Agents**

Tata Consultancy Services

6, Lotus House,

Sir Vithaldas Thackersey Marg,

New Marine Lines,

Mumbai 400 020.

| Contents | Page |
|---|------|
| Notice | 2 |
| Directors' Report | 5 |
| Auditors' Report | 9 |
| Balance Sheet | 10 |
| Profit & Loss Account | 11 |
| Schedules annexed to and forming part of Accounts | 12 |
| Notes on the Balance Sheet and Profit & Loss Account | 16 |
| Cash Flow Statement | 21 |

HEALTH CARE
WORLD WIDE

NOTICE

Notice is hereby given that the Fifty-second Annual General Meeting of the Members of Abbott Laboratories (India) Ltd. will be held at Indian Merchants Chamber Conference Hall (Walchand Hirachand Hall), 76, Veer Nariman Road, Near Churchgate Station, Mumbai 400 020 on Tuesday, September 15, 1998 at 3.30 p.m. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1998 and the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors.
2. To consider and if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution :

"RESOLVED that, pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs. P. C. Hansotia & Company, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to examine and audit the Accounts of the Company for the financial year 1998-99 at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby accords its approval and consent to the appointment of Mr. Tapan Ray as the Managing Director of the Company with effect from January 1, 1998 for a period of five years ;

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take all necessary or desirable steps for the aforesaid purpose and matters incidental thereto."

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

"RESOLVED that subject to the provisions of Sections 198, 309 and other applicable provisions, including Schedule XIII of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the increase in the remuneration of Mr. J. M. Bhatt, Wholetime Director of the Company, in the manner and to the extent set out in the explanatory statement annexed hereto."

By Order of the Board

S. SHANKAR
Company Secretary

Registered Office :

Jehangir Building
133, Mahatma Gandhi Road
Mumbai 400 023.

Mumbai, June 29, 1998.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 2, 3 and 4 is annexed hereto.
3. The proxy form, duly completed and stamped must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
4. Members are requested to bring copy of the Annual Report and the attendance slip sent herewith duly filled in for attending the meeting.
5. The Register of Members and the Share Transfer Books will remain closed from Tuesday, September 1, 1998 to Tuesday, September 15, 1998 (both days inclusive).
6. Notice of change of address should be sent to the Company at its Registered Office or to its Registrars & Share Transfer Agents, Tata Consultancy Services.
7. Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend for the financial year ended March 31, 1994 has been transferred to the General Revenue Account of the Central Government during the year. Members who have not encashed dividend warrants for the said financial year are requested to claim the dividend from the Registrar of Companies, Maharashtra, Hakoba Compound, Dattaram Lad Marg, Kala Chowki, Mumbai 400 033.
8. Unclaimed dividend for the financial year ended March 31, 1995 will be transferred to the General Revenue Account of the Central Government on or before October 8, 1998. Members who have not encashed their dividend warrant for the said financial year are requested to encash the same immediately.

Annual
Report

1997-98

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 2

In terms of Section 224A of the Companies Act, 1956, the appointment of the Auditors of the Company is required to be made by Special Resolution, if not less than 25% of the subscribed share capital of the Company is held, either singly or in any combination, by Public Financial Institutions or Government Companies or the Central or any State Government or any Financial or other Institution established by any Provincial or State Act in which the State Government holds not less than 51% of the subscribed share capital or any Nationalised Bank or Insurance Company carrying on General Insurance Business.

In the case of the Company, the combined shareholding of the Public Financial Institutions exceeds 25% of the subscribed share capital. Hence, a Special Resolution is required to be passed to re-appoint Messrs. P. C. Hansotia & Company, Chartered Accountants, as Auditors of the Company. As required under Section 224(1) of the Companies Act, 1956, a certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1-B) of the Companies Act, 1956.

None of the Directors is interested or concerned in the said Resolution.

Item No. 3

Mr. Tapan Ray was appointed as Managing Director of the Company for a period of 5 years with effect from January 1, 1998 to December 31, 2003 at the meeting of the Board of Directors held on December 17, 1997.

Mr. Tapan Ray has over 25 years of national and international experience in the field of Pharmaceutical Industry. His last employment was with Glaxo India Ltd. as Executive Director.

As the terms of his remuneration do not satisfy the conditions specified in Schedule XIII of the Companies Act, 1956, his appointment and remuneration payable as laid down in the resolution at Item No.3 is subject to the approval of the Central Government as per the provisions of Section 269 of the Companies Act, 1956. Necessary application is made to Central Government and their reply is awaited.

The material terms and conditions of the appointment and remuneration payable to Mr. Tapan Ray as embodied in the Agreement to be entered into with him upon receipt of the approval of the members are as under :-

1. **Term :** 5 years with effect from January 1, 1998.
2. **Nature of Duties :** The Managing Director shall be vested with such powers and authorities as may be entrusted to him by the Board of Directors from time to time.
3. **Remuneration :** The Managing Director shall be entitled to the following emoluments, benefits and perquisites.

a) **Salary :**

Rs. 21.50 Lacs per annum effective January 1, 1998. The increments will be decided and approved by the Board of Directors or its Committee. In addition to the salary, a performance-linked incentive not exceeding 20 per cent of the salary shall be payable to Mr. Tapan Ray, as approved by the Board of Directors or its Committee.

b) **Commission :**

Not exceeding Rs.3.50 lacs per annum as decided and approved by the Board of Directors or its Committee.

c) **Perquisites and Benefits :***Medical reimbursement :*

Reimbursement of all medical expenses incurred for self, wife and children ('family') as may be determined by the Board of Directors or its Committee.

Leave and Leave Travel Concession :

As per the rules of the Company.

Leave Travel Concession for self and family once in a year for any destination in India. In case it is proposed that leave be spent abroad, return passage may be allowed for self and family in accordance with the rules specified by the Company.

Residential Accommodation :

Rent-free accommodation together with utilities such as gas, electricity and water, as may be approved by the Board of Directors or its Committee from time to time.

Provident Fund, Superannuation :

Company's contribution to Provident Fund and Superannuation Scheme not exceeding 27 per cent of salary. This shall not be included in the computation of perquisites claimed.

Gratuity :

As per the rules of the Company.

HEALTH CARE
WORLD WIDE**OTHER ITEMS****Reimbursement of Expenses**

Reimbursement of all actual expenses, including expenses on business meeting and travelling incurred in the course of the Company's business. Apart from the above, one time relocation allowance of Rs. 10,71,431/- has been paid to the Managing Director.

Company car, telephone/fax at residence. Long distance personal calls to be billed to the Managing Director.

Notice

The Company and the Managing Director shall be entitled to terminate employment by giving not less than six calendar months notice in writing to the other party without necessity of showing any cause.

In the event of no profit or inadequacy of profits, the Company shall pay the aforesaid remuneration by way of salary and perquisites as minimum remuneration.

The terms and conditions set out above should also be treated as an abstract and memorandum of interest under Section 302 of the Companies Act, 1956.

The Directors, therefore, recommend the passing of the resolution at Item No.3 of the accompanying notice.

None of the Directors, except Mr. Tapan Ray, may be deemed to be concerned or interested in the passing of the resolution.

Item No. 4

Mr. Jitendra Bhatt, Finance Director, was appointed as the Wholetime Director of the Company with effect from June 28, 1996. The terms of his remuneration were approved by the members at the Annual General Meeting held on September 26, 1996 and the same was within the limits of Schedule XIII of the Companies Act, 1956.

1. Salary :

Rs.60,041/- per month effective from May 1, 1998.

2. Performance-linked Incentive :

Performance linked Incentive not exceeding 16% of annual salary be paid each year as decided and approved by the Board of Directors or its Committee.

3. Perquisites :

In addition to the salary as stated above Mr. Jitendra Bhatt will be allowed all other payments in the nature of perquisites and allowance in accordance with the Rules of the Company and as may be agreed by the Board of Directors, restricted upto an amount equal to the annual salary, subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

For the purpose of calculating the above ceiling, perquisites shall be excluded as per Income-tax Rules, wherever applicable.

Company's contribution to Provident Fund and Superannuation Scheme not exceeding 27% of the salary shall not be included in the computation of limits for salary or perquisites claimed.

Gratuity as per rules of the Company.

In the event of no profit or inadequacy of profits, the Company shall pay the aforesaid remuneration by way of salary and perquisites as minimum remuneration.

The above proposal does not require the approval of the Central Government under Section 310 of the Companies Act, 1956 as the increase in remuneration will be in accordance with the conditions specified in Schedule XIII of the Companies Act, 1956.

In compliance with the provisions of Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII of the Companies Act, 1956, the variations in the terms of remuneration to Mr. Jitendra Bhatt are now being placed before the members in the General Meeting for their approval.

The terms and conditions set out above should also be treated as an abstract and memorandum of interest under Section 302 of the Companies Act, 1956.

None of the Directors, except Mr. J. M. Bhatt may be deemed to be concerned or interested in the passing of the resolution.

By Order of the Board

S. SHANKAR
Company Secretary

Registered Office :

Jehangir Building
133, Mahatma Gandhi Road
Mumbai 400 023.

Mumbai, June 29, 1998.

Annual
Report
1997-98

DIRECTORS' REPORT

The Directors have pleasure in presenting their Fifty-second Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 1998.

1. RESULTS

Financial Highlights

| | (Rs. in Lacs) | |
|--|---------------------------------|---------------------------------|
| | Year ended March 31, 1998 | Year ended March 31, 1997 |
| Profit before Taxation | 163.66 | 144.41 |
| Add : Taxation write back | - | 95.00 |
| Net Profit after Tax (Before Exceptional Item) | 163.66 | 239.41 |
| Less : Payment/Provision for Voluntary Retirement Scheme and other retirement benefits (Net of Tax) | 175.00 | 258.57 |
| Net Loss | (11.34) | (19.16) |
| Add : Balance brought forward from the previous year | 116.08 | 135.24 |
| Amount available for disposal | 104.74 | 116.08 |
| Appropriations : | | |
| Balance carried forward | 104.74 | 116.08 |

During the year, 2,25,000 14% Secured, Redeemable, Non-Convertible Debentures of Rs.100/- each were fully redeemed. Public Deposits of an aggregate amount of Rs.0.39 lac which have matured, remain unpaid for want of requisite instructions from the depositors concerned.

To modernise Ankleshwar Plant and also to appropriately support the ambitious future growth plan of the organisation, your Company will require to conserve resources. Hence, the Board is not recommending declaration of dividend for the year.

2. SALES

Gross sales for the year ended March 31, 1998 were Rs.8050 lacs as compared with Rs.6905 lacs for the year ended March 31, 1997, registering a growth rate of 16.6% against Industry growth of 14.1% (source ORG MAT March 1998).

3. PROFITS

The profit before extraordinary item and taxation has shown a growth of 13.3% compared to the previous year. This was mainly on account of significant saving in material cost and all round improvement in manufacturing yields and efficiencies. Better management of working capital led to a reduction in the interest cost from 4.1% for the previous year to 3.7% in 1997-98. However, there was a greater spend on selling and other expenses as compared to the previous year. This was essential to achieve higher sales growth in a difficult market.

The costs towards Voluntary Retirement Schemes (VRS) have been spread over a few years. An amount of Rs. 175 lacs towards the above scheme has been charged against the profit of the current year as extraordinary expenses and balance of Rs.902.85 lacs is disclosed under the 'Miscellaneous Expenditure to the extent not written off or adjusted' in the Balance Sheet as 'Deferred Revenue Expenditure'. Considering the above extraordinary expenses which will have the adverse impact on operating results, your Company has deferred its contribution towards Gratuity Fund. In view of notification issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs, vide F.No. 5/10/98-CL V; General Circular No. 3/98 dated May 18, 1998, the Auditors have also referred the matter in paragraph 2 of their report. The Auditors' comment as referred to in paragraph 4 of the Auditors Report is dealt with in Note Nos. B5, B9 and B10 to the Accounts, which are self-explanatory.

4. INCREASE IN OWNERSHIP BY ABBOTT USA

Abbott Laboratories, U.S.A., the Parent Company, has increased its ownership from 40% to 51% through an Open Offer in December, 1997. This will immensely benefit your Company through increased support in the form of new products, technology and research and development.

5. OPERATIONS

(i) Pharmaceuticals :

Despite a slowdown in growth of the Pharmaceuticals Industry, the pharmaceutical business of your Company registered a good growth of 16.2%. Two new line extensions of the latest generation of macrolide antibiotics - Clarithromycin, were introduced during the year. Claribid Granules - for paediatric infections and Heliolar 500mg. - the antibiotic of choice for the treatment of H.pylori infection (the causative organism for peptic ulcer).

The Company has an ambitious new product launch plan for 1998-99.

Your Company has entered into a co-marketing arrangement with Glaxo India Limited for Clarithromycin tablet formulation, in 1997-98.



The chemical and formulation factory at Ankleshwar, where your Company is currently manufacturing bulk drugs of Pentothal Sodium (for anaesthesia), Terazosin (to treat benign prostatic hyperplasia) and Clarithromycin (to treat Respiratory and H. pylori infections) and various other formulations, is being upgraded to meet the future business requirements.

(ii) Hospital Products :

The Hospital products business of your Company has registered a growth of 20.6% during the current year. Forane (anaesthesia) and Dial-a-Flo (drug monitoring device used in the intensive care unit) are the main drivers of growth. Two new products were added to this business in 1997-98. Sevoflurane (later generation of anaesthesia) and the parenteral antibiotic for life threatening nosocomial infections - Vancomycin injection.

Many other new products including medical nutritionals are in the pipeline and will be launched in 1998-99.

(iii) Exports :

The growth in Export sales was 21.4% over the previous year.

6. EMPLOYEE RELATIONS

After the signing of the long-term settlement with the workmen staff at the Head Office in February 1998, a cordial working environment is prevailing both in the factory and in the offices of your Company.

7. MANAGEMENT DEVELOPMENT

Management development programmes are now getting a prime focus. Many in-company as well as external training programmes were organised during the later part of the year for various categories of staff. Management trainees were recruited in the Company from various reputed Business schools.

8. DIRECTORS

Mr. Tapan Ray was appointed as Managing Director with effect from January 1, 1998. Mr. Ray joins the Company with 25 years of rich national and international experience in the various functions of the Pharmaceuticals industry. Appropriate resolutions are being placed before the members for their approval at the annual general meeting.

Pursuant to a request received from the Life Insurance Corporation of India, Mr. R. Chandrasekaran has been appointed as a Director in the casual vacancy caused by the resignation of Dr. R. G. Presswala. The Board expresses its sincere appreciation and gratitude to Dr. Presswala for his valuable guidance and support extended to the Company during the tenure of office as a Director.

9. AUDITORS

The Company's Auditors, M/s. P. C. Hansotia & Company, who retire at the conclusion of the Annual General Meeting have given their consent for re-appointment. You are requested to consider reappointing them by a Special Resolution in terms of Section 224A of the Companies Act, 1956.

10. COST AUDITORS

M/s. S. S. Mani & Co., Cost Accountants, Mumbai, have been reappointed to examine and audit the records pertaining to Bulk Drugs and Formulations for the year ending March 31, 1999.

11. SAFETY AND ENVIRONMENTAL PROTECTION

The Company's commitment to environment protection is an ongoing process and accords high priority to the health and safety of its employees. The Company has been following strict standards of environment protection. There was no loss time accident in Ankleshwar factory during the year.

12. GENERAL

(i) Conservation of Energy/Technology Absorption and Foreign Exchange Earnings/Outgo

The information required under Section 217(1)(e) of the Companies Act, 1956 (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in respect of conservation of energy and other matters is annexed hereto and marked as Annexure I.

(ii) Particulars of Employees

The information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed hereto and marked as Annexure II.

ACKNOWLEDGEMENT

The Board acknowledges the efforts put in by its employees during the past year. The Company is grateful to its Bankers for their support and understanding and the shareholders for their faith and confidence. The Board is also grateful to Abbott Laboratories, North Chicago, Illinois, U.S.A., for their continuing interest and support provided to the Company during the year.

On behalf of the Board

R. A. SHA
Chairman

Mumbai, June 29, 1998.