BUILDING A BETTER TOMORROW

ABBOTT LABORATORIES (INDIA) LIMITED

Quality Healthcare Worldwide

Annual Report 1999-2000

Quality Healthcare Worldwide

VISION

To be a leading Worldclass Diversified Health Care Organisation committed to consistently delight the stakeholders.

MISSION

Dedicated to improve quality of life by providing innovative, cost effective products, and services of Global Standards.

VALUES

- Integrity
- Innovation
- Excellence in Business Performance
- Quality of Products, People & Services
- Mutual Respect and Trust
- Appreciation for Good Work
- Recognition for Excellence

VALUES

- Transparency, Openness & Fairness
- Team Work
- Adaptability to Change
- "Can Do" attitude
- Accountability & Ownership for Results
- Good Corporate Citizenship

QUALITY HEALTH CARE WORLDWIDE

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
M. A. Shaikh
Thomas Chen
T. R. Reddy

Company Secretary
S. Shankar

Registered Office
Jehangir Building,
133, Mahatma Gandhi Road,
Mumbai 400 001.
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

Dr. S. K. Banerjee
Director - Manufacturing & Technical Services

Dr. (Mrs.) A. Rodrigues
Regional Medical Director

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

Depots
Ahmedabad
Chennai

Registrars & Share Transfer Agents
Tata Consultancy Services
6, Lotus House,
Sir Vithaldas Thackersey Marg,
New Marine Lines,
Mumbai 400 020.

Contents

DIRECTORS' REPORT

To The Shareholders,

The Directors have pleasure in presenting their Report and the Audited Accounts for the year ended March 31, 2000.

I. THE BUSINESS ENVIRONMENT IN 1999

The gradual transformation process of the Pharmaceutical industry, albeit slow, is now definite and perceptible. The change in the common perception is taking place from a low cost manufacturing industry, producing low priced drugs for the masses to a knowledge based Sunrise Industry with a clear purpose to satisfy the unmet need of the ailing population, for a better quality of life.

We expect the Government to further help strengthen this perception by announcing, without further delay:

- a new Pricing Policy aiming at healthy growth of the industry;
- a road map to usher-in the new era of Market Economy for the industry through gradual reforms and liberalization; and
- a robust patent law of international standard to encourage basic Research and Development for Pharmaceuticals and help retain the best talents of our country.

The gradual change, as mentioned above, in the perception about the industry is indeed encouraging. Unfortunately the ground reality has still remained unchanged. The current progress of the industry continues to be halting because of the old legacy of rules, regulation and controls by the Government. Its outcome is clearly reflected in the subdued sales growth of the industry. An annual growth for Pharmaceuticals of just 8.4% and 9.5% as reported in the Pharmaceutical Audit done by ORG and IMS respectively, during the calendar year 1999, vindicates the point.

II. RESULTS AND DIVIDENDS FOR THE YEAR ENDED MARCH 31, 2000

Financial Highlights

(Rs. in Lacs)

	Year ended March 31, 2000	Year ended March 31, 1999
Profit before taxation	**629.41**	287.08
Less : Taxation	**24.40**	3.50
Net Profit after Tax (Before Exceptional Item)	**605.01**	283.58
Less : Payment /Provision for Voluntary Retirement Scheme and other retirement benefits	**430.00**	250.00
Net Profit	**175.01**	33.58
Add: Balance brought forward from the previous year	**106.26**	104.74
Amount available for disposal	**281.27**	138.32
Appropriation:		
Equity Dividend	**74.05**	28.13
Distribution Tax on Dividend	**8.15**	3.09
General Reserve	**17.50**	0.84
Balance Carried Forward	**181.57**	106.26

Dividend

In December 1999 and March 2000, your Directors approved Interim dividends of 10.0% and 20.0% on the enhanced paid up capital of Rs. 260.98 lacs. The Board of Directors has not recommended payment of any further dividend on the equity shares. The interim dividends of 30.0% paid (1999 : final dividend 12.5%), shall be fully adjusted as final dividend for the financial year ended March 31, 2000. The dividend will absorb Rs. 74.05 lacs. The distribution tax on dividend borne by the Company this year is Rs. 8.15 lacs.

III. THE ORGANIZATION AND PERFORMANCE

A. Sales:

Restructured Management teams with three operating divisions for Pharmaceutical Products, Hospital products and Nutritional products are now in place and fully operational. The concept of cross-functional teamwork to re-engineer various business processes is rapidly gaining ground.

Despite a very sharp price reductions of two key products SURBEX-T (Price Reduction: 55.2%) and ZENBEX-T (Price Reduction: 54.5%) which contribute about 15.0% to our total turnover, the gross sales for the year ended March 31, 2000 were Rs. 11361.62 lacs registering a growth of 11.9% over corresponding period of the previous year.

We have now been affected by another price reduction of Erythromycin Stearate formulations by 24.6%.

The Company is maintaining its leadership in the Clarithromycin antibiotic molecular category with CLARIBID and Terazocin (Benign Prostatic Hyperplasia) category with HYTRIN. As per ORG MAT March 2000, these two brands are currently growing at 28.0% and 16.1% respectively. Besides, SELSUN (market share 17.3%), VIDAYLIN-M (market share 47.2%) and PENTOTHAL Sodium (market share 28.8%) are brand leaders in their respective therapeutic segments (source: ORG MAT March 2000). In the Hospital Products Division, FORANE and SEVORANE are the market leaders in the advanced inhalation anaesthesia market.

B. Profits:

Despite price reductions of key brands, all-round operational efficiency together with lower interest cost has improved the net profit before extraordinary item and Tax by around 119.2% over the last year.

The costs towards Voluntary Retirement Scheme (VRS) have been spread over a few years. An amount of Rs.430.00 lacs towards the above Scheme has been charged against the profit of the current year as extraordinary expenses. The balance of Rs. 222.85 lacs are 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 an 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, vide F. No. 5/10/98–CL V ; General circular 3/98 dated May 18,1998, the Auditors have also referred the matter in paragraph 1 of their report.The Auditors' comment as referred to in paragraph 1 of the Auditors' Report is dealt with in Note No B3 to the Accounts, which is self explanatory.

C. New Products:

The Company continues to focus on new products introduction as one of the key growth drivers for the business. During various parts of the year, Pharmaceutical Products Division launched VIDAYLIN with LYSINE Syrup (Vitamin for children), NORVIR soft elastic capsules (for HIV infected patients) and SURBEXTONE Liquid (multi-vitamin and multi-mineral liquid).

Hospital Products Division has launched ATRACURIUM injection (Anaesthesia),

Nutrition Products Division has introduced NEPRO (for patients undergoing renal dialysis), SUPLENA (for patients with renal disorders), PEDIASURE Chocolate (Nutritional for Children who do not eat properly) and ENSURE Chocolate (Adult Nutritional).

We have also entered into the Diagnostic market with DETERMINE Rapid test kits for HIV screening and diagnosis.

The contribution of our Nutritional Products business to the total turnover of the Company has increased to around 5.0% and growing at 64.4%.

D. Manufacturing:

Capital Expenditure of Rs 51.63 lacs was incurred during the year mainly for upgradation and modernization of the Company's WHO GMP certified plant at Ankleshwar. The plant has won awards on Environment, Safety and Housekeeping from various important institutions.

E. Exports:

The Company's export sales, although currently contributing to just 2.8% (Rs. 266.68 lacs) of the total turnover, is growing at 46.1%. The Company continues to export Pentothal Acid bulk, Thiopentone Sodium bulk, Pentothal Sodium vials, SELSUN lotion and NILCID tablets to various countries in Europe, Asia and Australia.

F. Y2K:

The transition of Y2K was problem-free and smooth.

G. Rights Issue

During the year, your Company made an allotment of 359752 equity shares of Rs. 10/- each for cash at a premium of Rs. 615/- per share against the Rights Issue aggregating to Rs. 2250.00 lacs which concluded in July 1999. As the issue was oversubscribed by 1.49 times, the allotment was approved and finalized in consultation with the Stock Exchange, Mumbai. Consequent to allotment of the equity shares, the paid up equity share capital stands increased to Rs. 260.98 lacs from Rs. 225.00 lacs.

Statement in terms of Clause 43 of the Listing Agreement (Figures : Rupees in Lacs)

Particulars	Estimate for the year Ending March 31,2000 (as per Letter of Offer dated 19th May, 1999)	Actuals for the year Ending March 31,2000
Utilisation of Funds	2250.00	1908.51*
Profit before tax & Extraordinary Item	564.54	629.41
Income	10829.47	9721.90

* The balance funds pending deployment as per the objects of the Rights Issue, are utilised for financing short term working capital requirements, as mentioned in the Letter of Offer dated May 19, 1999.

IV. EMPLOYEE RELATIONS

The Company continues to maintain cordial relations with its employees. An external international agency was commissioned to evaluate the level of employee satisfaction across the organization. The results are very positive. With the help of employees, an action plan was prepared and being implemented to further improve the employee satisfaction level.

The new and modern corporate office has offered a good work environment to the employees.

At Ankleshwar plant, the employees and the management have signed a new long-term settlement.

V. HUMAN RESOURCE DEVELOPMENT

Our management team has prepared a Vision, Mission and Value Statements for the organization after a series of brainstorming sessions and workshops. These are very comprehensive and apt for Abbott India. An ongoing action plan is in place to translate these statements into organization culture.

Emphasis on a structured management development program continued to cover all factory, office and field staff.

VI. INVESTOR FRIENDLY COMPANY

During the year, Price Waterhouse Coopers in a survey for the "Business World" magazine had rated Abbott India as one of the top three most investor friendly pharmaceutical companies of India based on the total shareholder returns over three years period 1996-1999 (Source: "Business World" June 21,1999).

VII. DEPOSITORY SYSTEM

During the year, the Company entered into agreements with National Securities Depository Limited and the Central Depository Services (India) Limited to participate in the Depository System of Share Registration, whereby the shareholders of the Company have an option of holding their shares in the electronic form. The shares of the Company were introduced for compulsory trading in demat mode for the institutional investors with effect from June 26, 2000 and for all investors by August 28, 2000.

VIII. STOCK SPLIT

Currently, the nominal value of the equity shares of the Company is Rs. 10/- per share. In order to increase the liquidity and to make the shares of the Company more affordable to the investing public by bringing down the unit price of a share, the Company's Board, subject to the approval of the members at the ensuing Annual General Meeting, has proposed to subdivide each equity share of Rs. 10/- into equity shares of Rs.5 /- each. Necessary resolutions to give effect to this proposal are included in the special business of the agenda to be transacted at the ensuing Annual General Meeting of the Company.

XI. ADDRESSING CHALLENGES AND GROWTH OPPORTUNITIES

The key challenge of the Company is to more than neutralize the negative impact on both top and bottom line due to sharp price reductions of two of its key product groups Vitamins and Erythromycin Stearate formulations. To address this key issue our broad strategy is fourfold:

a. Drive volume sales, focusing on high growth therapeutic categories of the represented segment.

b. Expand therapeutic franchise with planned introduction of new products.

c. Further improve organizational efficiency through benchmarking, business process re-engineering and leveraging Information Technology.

d. Make Human Resources more productive through structured training & development program and inspirational leadership.

Our goal is to transform Abbott India from mainly a pharmaceutical Company to a well-diversified healthcare Company, like Abbott International.

X. DIRECTORS

During the year, Mr. R Chandrasekaran resigned as a Director representing Life Insurance Corporation of India. Mr. T. R. Reddy was appointed as Director in place of Mr. R Chandrasekaran.

XI. AUDITORS

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

XII. 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, 2001.

XIII. SAFETY AND ENVIRONMENT 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 of time or accident in Ankleshwar factory during the year.

XIV. 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, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Company, excluding the statement of Particulars of Employees under Section 217(2A) of the said Act. Any shareholder interested in obtaining a copy of the said statement, may write to the Company Secretary at the registered office of the Company.

XV. ACKNOWLEDGEMENT

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

The Board of Directors takes this opportunity to thank all the employees for their significant contribution in the performance of the Company during 1999-2000.

On behalf of the Board of Directors

R.A. SHAH
Chairman

Mumbai, June 23, 2000

QUALITY HEALTH CARE WORLDWIDE

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE I

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the Financial Year ended March 31, 2000.

I. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken :
Various measures taken to improve the efficiency of equipments so as to reduce process time.

(b) Additional investments and proposals, if any : NIL

(c) Impact of Measures :
The above measures and tighter control has resulted in lower energy consumption.

(d) Total energy consumption and energy consumption per unit of production :

		Current Year	Previous Year
(A) Power and Fuel Consumption			
1. Electricity			
a) Purchased Unit	(KWH)	**1194**	1209
Amount	(Rs.'000)	**5232.00**	4840.00
Rate/Unit	(Rs./KWH)	**4.38**	4.00
b) Own Generation :			
i) Through Diesel Generator Unit	(KWH)	**46**	53
Unit per Litre of Diesel Oil	(KWH)	**2.76**	3.02
Fuel Cost/Unit	(Rs./KWH)	**5.56**	3.65
ii) Through Natural Gas/Generator Units		**N.A.**	N.A.
2. Coal		**N.A.**	N.A.
3. Furnace Oil			
Quantity	(Ltrs.)	**170**	130
Total Amount	(Rs. '000)	**1700.00**	822.00
Average Rate	(Rs./Ltr.)	**10.00**	6.32
4. Others		**N.A.**	N.A.
(B) Consumption per Unit of Production (in '000s pack)			
	Standard		
Electricity (Units)	There is no specific standard as consumption per unit depends on the product mix.	**228.00**	228.00
Furnace Oil (Ltrs.)		**10.88**	10.88
Coal		**N.A.**	N.A.
Others		**N.A.**	N.A.

II. TECHNOLOGY ABSORPTION

1. **Research & Development (R & D)**
Research and Development is an ongoing process and is concentrated in developing new formulations.

2. The Company has couple of new products ready in Pharmaceutical and Nutritional fields. Also the Company has been able to reduce manufacturing cost.

3. Introduce more new line extension products in Clarithromycin in Tablet and Granule Dosage form. Improvement in presentation and get up of our products is going on and will be introduced soon.

ANNEXURE TO DIRECTORS' REPORT

4. Expenditure on R & D :

	Rs. '000s
a) Capital	1200
b) Recurring	3067
	4267
c) Total R & D expenditure as a percentage of total turnover	0.44

Technology Absorption, Adaptation and Innovation :

1. Efforts made :
   Continuous efforts being made in developing new products and improving existing products.
2. Benefits :
   Introduction of new products, reduction in manufacturing costs and improvement in the existing products.
3. Imported technology : NIL
   No technology has been imported during last 5 years.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

i) Activities :
Export turnover amounted to Rs. 266.68 lacs during the year as compared to Rs.181.46 lacs during the previous year.

ii) Development of new export markets :
Our continuous endeavour to explore the possibilities of new export markets has resulted in obtaining approval for Thiopentone Sodium in Latin America and Europe. Registration process for Citrosoda in an East Asian Country is near- completed and approval is expected shortly.

iii) Total foreign exchange earning and outgo :
The information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with regard to foreign exchange earnings and outgo is contained in the Note No. B 20 to the Accounts.

On Behalf of Board of Directors

R. A. SHAH
Chairman

Mumbai, June 23, 2000

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ABBOTT LABORATORIES (INDIA) LIMITED

We have audited the attached Balance Sheet of Abbott Laboratories (India) Limited as at March 31, 2000 and the annexed Profit and Loss Account of the Company for the year ended on that date and report that -

1. No provision has been made for gratuity liability to employees, computed on actuarial basis to the extent of Rs.7,191 thousand. This accounting practice is not in compliance with AS-15 "Accounting for Retirement Benefits in the Financial Statements of Employers" issued by the Institute of Chartered Accountants of India Consequently, profit before tax has been overstated to that extent.

   Had the Company complied with the above Accounting Standard, the total expenditure for the year would have increased by Rs.7,191 thousand and the profit before tax and after tax would have been Rs.12,750 thousand and Rs.11,400 thousand respectively.

Subject to above,

2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
3. In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the books except in respect of gratuity liability, stated in Note 1 above.
4. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
5. The Balance Sheet and Profit and Loss Account are in compliance with mandatory Accounting Standards specified in Sub-section (3)(c) of Section 211 of the Companies Act, 1956, except for the partial compliance to Accounting Standard 15 - "Accounting for Retirement Benefits in the Financial Statements of Employers" stated in Note 1 above.
6. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
   a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2000

      and

   b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

   Further, as required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate we report that -

7. The Company has maintained proper records, showing full particulars including quantitative details and situation of the fixed assets. All the fixed assets have not been physically verified by the Management during the year but there is a program of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No discrepancies were noticed on verification.
8. The Company has not revalued any of its fixed assets during the year.
9. The stocks of finished goods and raw materials (except materials in transit) have been physically verified during the year by the management.
10. In our opinion and according to the information and explanations given to us the procedures for physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
11. The discrepancies noticed on verification of stocks as compared to the book records were insignificant and these have been properly dealt with in the books of account.
12. In our opinion, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year except for the change in valuation by including excise duty on finished goods stocks, having no impact on the profit for the year.
13. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956. In terms of sub-Section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a company on or after October 31, 1998.