

## Report on Corporate Governance

### 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is to conduct its affairs in a manner, which is ethical and transparent with all stakeholders in the Company, including shareholders, lenders, creditors and employees. The Company conducts its affairs in compliance with all regulatory and policy requirements as well as industry ethical guidelines. Abbott also has strict guiding principles laid out and communicated through Abbott's own internal Code of Business Conduct to which regular audits are also conducted to ensure controls and compliances and maintained at a high standard. The Company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its directors, who are

expected to act in the best interests of the Company and remain accountable to shareholders and other beneficiaries for their action.

### 2. Board of Directors

- (a) The Board presently comprises 9 Directors including 2 Executive Directors and 7 Non-Executive Directors, and of which 3 are Independent Directors. The Directors are professionals and have expertise in their respective functional areas.
- (b) The composition of the Board, their attendance at the Board Meetings held during the year and at the last Annual General Meeting along with the number of directorships and membership held in various committees in other companies as on November 30, 2006, are given below:

Name of Directors	Category: Executive/ Non-Executive/ Independent	Attendance at		Membership of other Board(s) (including alternate directorships and directorships in private companies excluding Section 25 companies)	Membership/Chairmanship of other Board Committees (Audit Committee and Shareholders & Investors Grievance Committee)
		Board Meetings	Annual General Meeting (May 3, 2006)		
Mr Munir Shaikh Chairman of the Board	Non-Executive	4	Yes	1*	—
Mr Vivek Mohan Managing Director	Executive	7	Yes	—	—
Mr R A Shah	Non-Executive, Independent	7	Yes	23*	9 (includes Chairmanship of 5 companies)
Mr Ashok Dayal	Non-Executive, Independent	8	Yes	2	1
Mr David Wardell #	Non-Executive	—	No	—	—
Mr Mark Masterson	Non-Executive	3	Yes	2*	—
Mr Ranjan Kapur@	Non-Executive, Independent	2	NA	10	2
Mr Mario Durante@	Non-Executive	1	NA	—	—
Mr Gregory Orleski@	Non-Executive	—	NA	2*	—
Mr Sudarshan Jain@ Whole time Director	Executive	2	NA	—	—

# Resigned with effect from July 28, 2006

@ Appointed as Additional Director with effect from September 18, 2006

\* including directorships of companies incorporated outside India

- (c) During the financial year, 8 Board Meetings were held on the following dates:

December 3, 2005, February 28, 2006/March 7, 2006, March 31, 2006, May 3, 2006, June 29, 2006, August 25, 2006, September 18, 2006 and November 30, 2006.

- (d) Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting as required under Clause 49 IV(G) of the Listing Agreement are annexed to the Notice convening the Annual General Meeting and forms part of this Annual Report.

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### 3. Audit Committee

The Audit Committee comprises of 4 Non-Executive Directors, namely, Mr Ashok Dayal (Chairman), Mr R A Shah, Mr Ranjan Kapur, who are Independent Directors and Mr Munir Shaikh. Ms Krupa Anandpara, Company Secretary, is the Secretary of the Audit Committee.

The role of the Audit Committee and its terms of reference are in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. It includes oversight of the company's financial reporting process, reviewing the financial statements, reviewing the adequacy of internal audit function, discussions with internal and statutory auditors periodically about their scope of audit and adequacy of internal control systems, discussing with internal auditors on any significant findings. The Audit Committee also acts as a link between the Board of Directors and the internal and statutory auditors.

The duly constituted Committee met 6 times during the financial year on December 3, 2005, February 28, 2006/ March 7, 2006, March 31, 2006, June 29, 2006, September 18, 2006, and November 30, 2006.

Mr Ashok Dayal and Mr R A Shah attended all the meetings, Mr Munir Shaikh attended 3 meetings and Mr Ranjan Kapur attended 1 meeting.

### 4. Shareholders' / Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee comprises of Mr Ashok Dayal, Non-Executive and Independent Director as Chairman and Mr Vivek Mohan. Ms Krupa Anandpara, Company Secretary, is the Compliance Officer.

During the financial year, the Committee met twice on February 28, 2006 and June 29, 2006.

A summary of complaints received and resolved by the Company during the year ended November 30, 2006 is given below:

	Received	Cleared
Non receipt of share certificates duly transferred	1	1
Non receipt of dividend warrants	31	31
Miscellaneous	10	10
Letters from SEBI, Stock Exchanges and Department of Company Affairs	—	—

As on November 30, 2006, there were no pending share transfers. Barring certain cases pending in Courts / Consumer Forums relating to disputes over the title of the shares in which the Company has been made a party, no investor complaint is pending for a period exceeding one month.

### 5. Remuneration of Directors

#### (a) Executive Directors

Details of remuneration and perquisites paid, to the Executive Directors for the financial year ended November 30, 2006 is as follows:

Terms of Agreement	Mr Vivek Mohan (Managing Director)	Mr Sudarshan Jain (Whole time Director)
Period of appointment	5 years	5 years
Date of appointment	November 1, 2004	September 18, 2006
Salary & Other Allowances	Rs 11,045,500	Rs 553,150*
Perquisites	Rs 5,020,126	Rs 29,816*
Contribution to Provident Fund, Superannuation Fund & Group Gratuity Scheme	Rs 323,537	Rs 149,547*
Performance Linked Incentive	Rs 1,504,500	Rs 91,454*
Notice Period	By either party giving six months' notice or the Company paying six months' salary in lieu thereof	
Severance Fees	There is no separate provision for payment of severance fees	
Stock Option	—	

\* For a period from September 18, 2006 to November 30, 2006

#### (b) Non-Executive Directors

The Non-Executive resident Directors are paid sitting fees of Rs 5,000/- for each meeting of the Board or committees of the Board, attended by them.

Mr R A Shah, Mr Ashok Dayal and Mr Ranjan Kapur were paid sitting fees totaling Rs 75,000/-, Rs 85,000/- and Rs 15,000/- respectively for attending Board meetings and various Committee meetings (including Buyback Committee meetings) held during the financial year 2005-2006.

The Company has paid fees amounting to Rs 100,750/- to its Solicitors, M/s Crawford Bayley & Co., Solicitors & Advocates, for professional services rendered to the Company, of which Mr R A Shah, Director is a Senior Partner. The quantum of professional fees received by M/s Crawford Bayley & Co. from the Company forms an insignificant portion of their total revenues and less than a fraction of the total revenues of the Company.

None of the other Non-Executive Directors has any pecuniary relationship or transactions with the Company.

#### (c) None of the Non-Executive Directors and relatives hold any shares of the Company except Mr R A Shah who through his relatives holds 5098 shares.

**6. General Body Meetings**

Financial Year	Date	Time	Location	No. of Special Resolutions
2003	April 27, 2004	3.00 p.m.	Y B Chavan Auditorium General Jagannath Bhosale Marg Mumbai 400 021	—
2004	April 26, 2005	3.30 p.m.	Y B Chavan Auditorium General Jagannath Bhosale Marg Mumbai 400 021	—
2005	May 3, 2006	10.30 a.m.	Y B Chavan Auditorium General Jagannath Bhosale Marg Mumbai 400 021	—

During the year ended November 30, 2006, postal ballot was conducted for seeking shareholders approval for buyback of Company's fully paid equity shares under provisions of Section 77A, 77AA and 77B of the Companies Act, 1956, through Special Resolution. Postal ballot notice was sent to each shareholder as on the cut off date decided. The results were declared based on the report submitted by Ms Neena Bhatia, Scrutinizer appointed for the said postal ballot and the resolution was passed with the requisite majority. Details of voting pattern are as under :

Total votes	15,280,100
Total votes received	9,917,823
Total valid votes	9,894,986
Total invalid Votes	22,837
In favour	9,801,883 (99.06%)
Against	93,103 (0.94%)

At present, no special resolution is proposed to be passed through postal ballot.

**7. Disclosures**

(a) There were no transactions of the Company of a material nature, with its promoters, directors or the management, or relatives etc. during the financial year, which could have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval as required by law. Transactions with related parties are disclosed in Note B 23 of Schedule 16 to the Accounts in the Annual Report.

- (b) In terms of the disclosures made by Senior Management Personnel of the Company to the Board, there were no material financial and commercial transactions, where they have personal interest, which could have potential conflict with the interest of the Company at large.
- (c) There were no instances of non-compliance by the Company or no penalties/strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matters related to the capital markets during the last 3 financial years.
- (d) In terms of requirement of Clause 49(V) of the Listing Agreement, the Managing Director and Director – Finance have made a certification to the Board of Directors in the prescribed format for the year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

**8. Means of Communication**

- (a) Quarterly and Half yearly results are published in one English daily newspaper (Free Press Journal) circulating in the country and one Marathi newspaper (Navshakti) published from Mumbai. These quarterly results/shareholding pattern are also made available on the website of the Company ([www.abbott.co.in](http://www.abbott.co.in)) and on SEBI's EDIFAR (Electronic Data Information Filing And Retrieval) System website ([www.sebidifar.nic.in](http://www.sebidifar.nic.in)).
- (b) During the financial year, the Company has not made any presentation to the institutional investors or analysts.
- (c) Management Discussion and Analysis Report forms part of the Directors' Report.

**9. General Shareholder Information:**

- i Annual General Meeting : Tuesday, April 17, 2007  
at 10.30 a.m.  
Y B Chavan Auditorium  
General Jagannath  
Bhosale Marg  
Mumbai 400 021
- ii Financial year : December 1, 2005 –  
November 30, 2006
- iii Date of Book Closure : April 10, 2007 to April 17,  
2007 (both days inclusive)
- iv Dividend Payment Date : On or before May 16, 2007
- v Listing On Stock : Bombay Stock Exchange  
Exchange Limited
- vi Stock Code : 500488

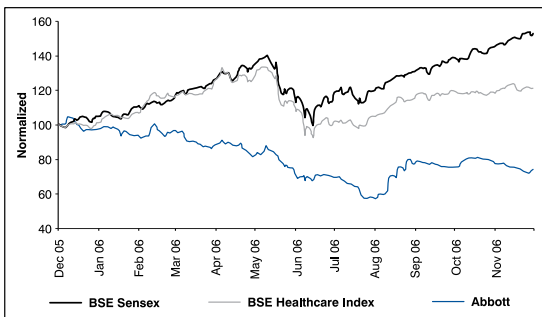
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- vii Market Price Data (High/Low during each month) on BSE:

Month	High	Low
December 2005	785.00	670.00
January 2006	732.00	675.00
February 2006	744.00	660.00
March 2006	717.00	625.00
April 2006	679.00	585.00
May 2006	705.00	500.00
June 2006	538.70	481.00
July 2006	514.95	412.00
August 2006	610.00	412.10
September 2006	589.95	545.00
October 2006	593.45	545.05
November 2006	649.95	521.05

- viii Performance in comparison to broad based indices:

Abbott Share Price / BSE 100  
Year 2005 – 2006



- ix Registrars and Share Transfer Agents:

Sharepro Services (India) Private Limited,  
Satam Estate, 3rd Floor, Cardinal Gracious Road  
Chakala, Andheri (East), Mumbai 400 099  
Phone : 2834 82 18 / 2832 98 28 / 2821 51 68  
Fax : 2837 56 46  
Email : sharepro@vsnl.com

- x Share Transfer System

In order to expedite the process of share transfers, the Board has delegated the powers to a Share Transfer Committee comprising of the officers of the Secretarial Department, who attend to the share transfer formalities at least once in a fortnight. The Share Transfer Committee also considers requests received for transmission of shares, issue of duplicate certificates and split/consolidation of certificates.

Shares Transfer requests received at the Registrar & Share Transfer Agent are normally processed and delivered within 21 days from the date of lodgement, if the documents are complete in all respects. Requests for dematerialisation of shares are processed and the confirmation is given to the depositories within 15 days from receipt.

- xi Distribution of shareholding as on November 30, 2006

Number of Equity Share holdings	Number of Shareholders	Percentage of Shareholders	Number of shares	Percentage of shareholding
1-50	6,506	43.65	166,399	1.09
51-100	3,236	21.71	288,672	1.89
101-500	3,578	24.00	887,510	5.81
501-1000	833	5.59	611,688	4.00
1001-5000	689	4.62	1,418,320	9.28
5001-10000	35	0.24	238,295	1.56
10001 & above	28	0.19	11,669,216	76.37
Total	14,905	100.00	15,280,100	100.00

Shareholder's profile as on November 30, 2006

Sr. No.	Category of Shareholders	No. of shares held	% to total
1.	Promoters	9,428,184	61.70
2.	Banks	6,260	0.04
3.	Financial Institutions	118,000	0.77
4.	FII/OCB*	90,326	0.59
5.	Insurance Companies	1,130,129	7.40
6.	Mutual Funds	628,241	4.11
7.	Domestic Companies	204,065	1.34
8.	Non Resident Indians	70,613	0.46
9.	Others	3,604,282	23.59
	Total	15,280,100	100.00

\* FII – Foreign Institutional Investors; OCB - Overseas Corporate Bodies

- xii. Dematerialisation of Shares as on November 30, 2006

The shares of the Company are compulsorily traded in electronic mode and are available for trading with both the depositories namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on November 30, 2006, 14,230,578 shares representing 93.13% of the Company's total paid-up share capital (including 61.70% held by the Promoter) were held in dematerialised mode. The Company's shares are traded on BSE – A Group.

- xiii. The Company has not issued any GDR/ADR Warrants or any other convertible instruments.

- xiv. Plant Location : L-18/19, Verna Industrial Estate, Goa

- xv. Address for correspondence :

**Abbott India Limited**

Registered office:

3-4, Corporate Park,  
Sion-Trombay Road,  
Mumbai-400 071

Telephone: 67978888

Fax: 67978727

Email: webmaster@abbott.co.in

**Registrar & Share Transfer Agents:**  
Sharepro Services (India) Pvt. Ltd.  
912, Raheja Centre,  
Free Press Journal Road,  
Nariman Point, Mumbai 400 021  
Contact Person: Ms Mazrine Wadia  
Telephone: 2288 15 68 / 2288 15 69  
Fax: 2282 54 84  
Email: sharepro\_services@roltanet.com

(b) There was no audit qualification in the accounts for the year ended November 30, 2006 and the Company continues to ensure the regime of unqualified financial statements.

**10. Non-mandatory requirements**

(a) The Company has provided a mechanism in its Code of Business Conduct for employees to report to the Management about the unethical behaviour, actual or suspected fraud or violation of the Company's Code to the Office of Ethics and Compliance.

On behalf of the Board  
Vivek Mohan                      R A Shah  
Managing Director                      Director  
Mumbai, February 8, 2007

**Declaration by Managing Director under Clause 49 of the Listing Agreement regarding compliance of Code of Conduct**

As required under Clause 49 I (D) of the Listing Agreement with the Bombay Stock Exchange Limited, I hereby affirm that all the Board Members and Senior Management personnel of the Company have affirmed compliance with the Abbott India Code of Business Conduct, as applicable to them, for the financial year ended November 30, 2006.

Abbott India Limited  
Vivek Mohan  
Managing Director

Mumbai, February 5, 2007

**Auditors' Certificate for Corporate Governance**

To

The Members of Abbott India Limited

We have examined the compliance of conditions of corporate governance by Abbott India Limited for the year ended on November 30, 2006, as stipulated in clause 49 of the Listing Agreement of the said company with the Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For DELOITTE HASKINS & SELLS  
*Chartered Accountants*

K A KATKI  
*Partner*

Membership No.: 038568

Mumbai,  
February 8, 2007