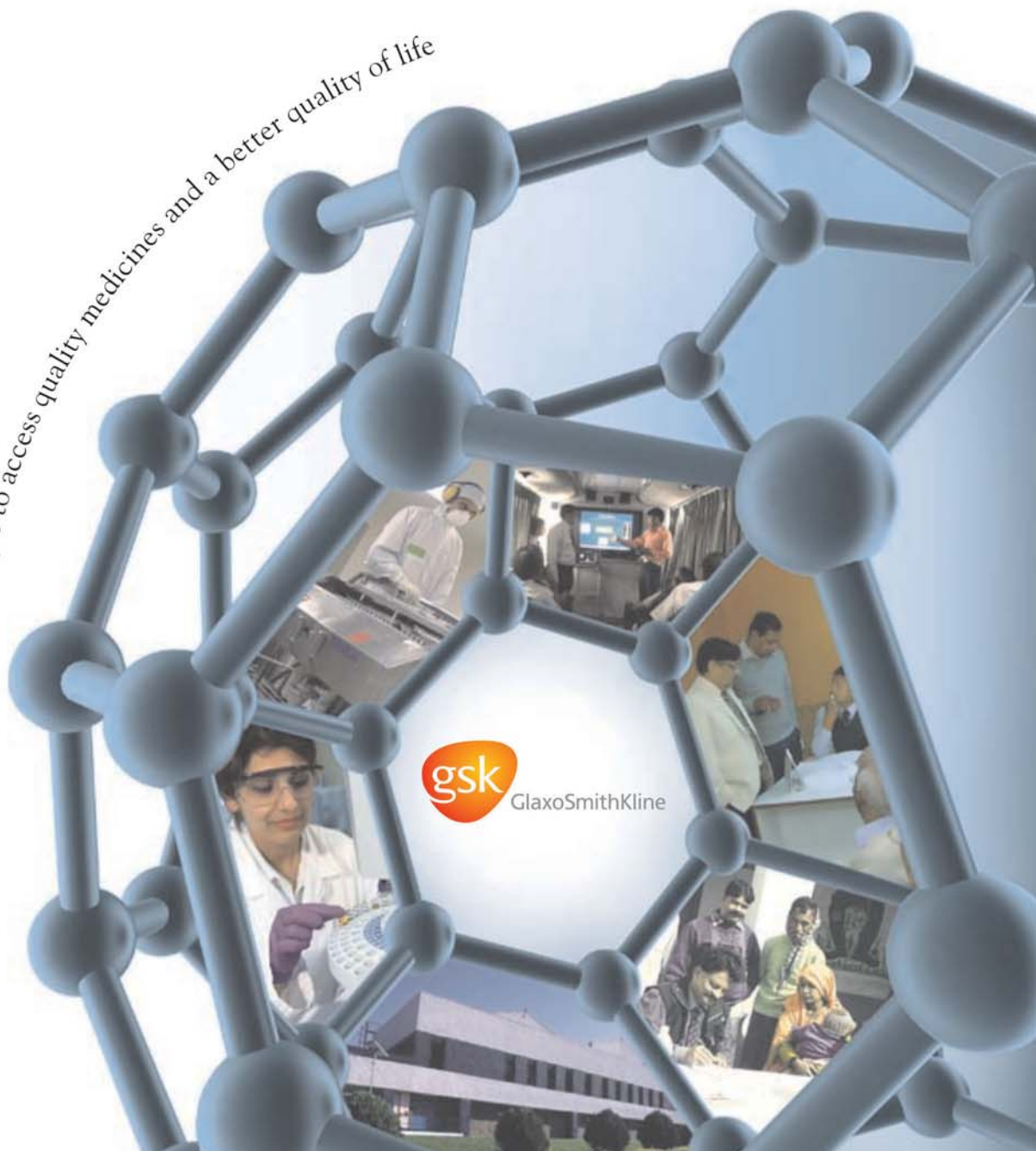


Opening up a new world

Enabling people to access quality medicines and a better quality of life



GlaxoSmithKline



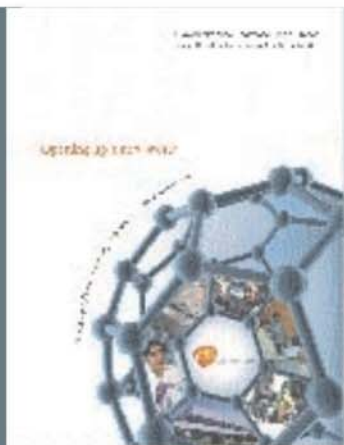
A WORD FROM THE MANAGING DIRECTOR

The parent organization of your Company has been a pioneer in creating new ways of providing access to medicines. Multiple approaches have been crystallized to ensure this. Pricing of new products has been decided using a tiered pricing approach. This means that at a broad level, countries are clubbed into three broad classes i.e. Developed countries, Middle-income countries and Least Developed Countries (LDCs).

It is the policy of the parent organization to ensure that prices of its medicines and vaccines in LDCs are no more than 25% of the prices in the developed countries. Moreover, the intent which is being implemented, is to invest 20% of the profits earned in LDCs back in those countries to build sustainable projects that support healthcare infrastructure. Within the middle-income countries of which India is a member, prices are decided on a country by country basis. In this context, your Company has been a major beneficiary, whereby we have been able to launch products from the parent's pipeline, in the recent past at appropriate prices. Specifically, Tykerb, a medicine for breast cancer was launched at a price appropriate to India. Cervarix, the vaccine for cervical cancer was not only launched at an appropriate price, but prices were dropped further last year. Cervical cancer is the leading cause of mortality for women in India with respect to cancer and the objective was to make the vaccine as accessible as possible. Rotarix, the vaccine for rotaviral diarrhea was also launched at an India appropriate price.

Last year, your Company launched Votrient, a medicine for kidney cancer, at a price which was significantly lower than developed world prices. This was also true for Revolade, a medicine for a disease which causes reduction in platelet count. Pneumococcal disease is the leading cause of infant mortality in India and your Company launched a vaccine for the same again at a price appropriate to India last year. Even in the case of branded generics, your Company has launched medicines for reducing cholesterol at prices which were lower than similar products being marketed in India.

The parent organization of your Company was recognized as the leading Company by the Access to Medicines Index for its initiatives. Your Company aided by the policies of the parent organization is committed to pass on the benefits of continuous improvements in efficiencies by way of lower prices of medicines to patients in India. It has been doing so for many years and in the recent past has rededicated itself to this objective with renewed zeal and vigour.



At GSK we have taken some visionary initiatives to open up a new world of superior quality medicines and healthcare.

We believe this will help more and more people to be able to afford better medicines, wherever and whenever they need them.

A new configuration for growth

The decade ahead will see more and more people aspiring to 'do more, feel better and live longer'.

Industry growth is being driven by chronic disease segments (like cardiovascular, diabetes, asthma, cancer, obesity and the like) influenced to a large extent by changing lifestyles.

The future trajectory for GSK India has been defined in a significant growth matrix which envisages three pillars for growth.

The first 'pillar' comprises 'Classic brands'. These are heritage equities where GSK India has assiduously built on a tradition of doctor preference and patient trust.

India is very much a classic brands market. The best example is Augmentin which is celebrating 30 years in the international market and is one of the leading brands amongst all pharma brands.

'Innovative brands' are the second 'pillar'. These brands are trend catalysts which address new disease and therapy needs. They are born out of the latest scientific breakthroughs. They have set new benchmarks in terms of patient access with India-specific affordability norms.

The third driver in the GSK India brand troika is Vaccines. GSK is a pioneer in this area of preventive medicine and wellness. In order to leverage on its three key brands, the vaccines field force has been doubled in the last two years. This has enabled the Company to achieve better reach and coverage and has led to significant growth for the Vaccines portfolio.



Improving access

Historically, GSK has always believed in making drugs widely available and making them very India-specific in terms of affordability and price, for each class of patients. GSK was the first among MNCs to move manufacturing to India and the market responded by giving GSK a leadership position.



Today, GSK has taken another long term initiative for drug access and affordability. Tykerb for breast cancer, is an example of this new thinking. It is a new generation product, introduced in India on the heels of its US launch, at a price aligned to country and patient affordability. Soon after this, GSK India took other proactive steps to make prices even more patient friendly. While numbers have grown, patients have been able to derive the benefit of the latest and best-in-class drugs for critical ailments.

In the mass market segment, GSK India launched Calpol-T to reinforce the branded generics portfolio. This product filled an immediate need and the brand acquired the No. 2 slot within 6 months of launch (ORG-IMS data source). The success of GSK India's strategy in branded generics is reflected in the growth of two other brands. Zobactin ranked No. 2 in the Hospital Sales Audit (in a market that has more than 56 comparable brands) and Esblanem (the GSK brand in the Meropenem market) which has climbed from 26th to 6th place in the same report.

Value network for deeper penetration

In a recent report, GSK was ranked No. 1 in the latest 'Access to Medicines Index'. IMS Health confirms that GSK India's products are the most widely available throughout India.

Availability and access are also the primary reason for launching the REACH division. IMS Health similarly confirms that GSK's penetration strategy for rural India has extended the frontiers of healthcare-GSK India is already at the No. 2 slot in the emerging 'rural' market.



Board of Directors

(As on 16.02.2012)

Chairman

D. S. Parekh

Vice-Chairman

V. Thyagarajan

Managing Director

Dr. H. B. Joshipura

Directors

R. R. Bajaj

Dr. A. Banerjee (Alternate to S. Harford w.e.f.1.8.2011)

P. V. Bhide

S. Harford

M. B. Kapadia

N. Kaviratne CBE

R. Krishnaswamy (w.e.f.1.8.2011)

V. Narayanan

P. V. Nayak

A. N. Roy (w.e.f.4.11.2011)

R. C. Sequeira

D. Sundaram

General Manager - Administration &

Company Secretary

A. A. Nadkarni

Factories

- 2nd Pokhran Road, Thane

- Ambad, Nashik

Bankers

Citibank N.A.

Deutsche Bank

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

Auditors

Price Waterhouse & Co

252, Veer Savarkar Marg,

Shivaji Park, Dadar (West)

Mumbai 400 028

Solicitors

Gagrat & Co.

Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad 500 081

Tel No. 040-23420818/23420828

Email: einward.ris@karvy.com

Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Telephone: 022-24959415/434

Fax: 022-24981526

Email: ajay.a.nadkarni@gsk.com

Management Team

Managing Director

Dr. H. B. Joshipura

Senior Executive Directors

M. B. Kapadia

– Finance

– Corporate Communications,
Secretarial & Administration

Dr. A. Banerjee

– Primary Manufacturing & Research

Executive Director

R. C. Sequeira

– Human Resources

Executive Vice-President

Dr. S. Joglekar

– Medical & Clinical Research

Vice-Presidents

R. Bataria

– Pharmaceuticals

H. Buch

– Pharmaceuticals

S. Khanna

– Finance

K. Hazari

– Legal & Corporate Affairs

C. T. Renganathan

– Pharmaceuticals

Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Telephone: 022-24959595

Fax: 022-24959494

Website: www.gsk-india.com

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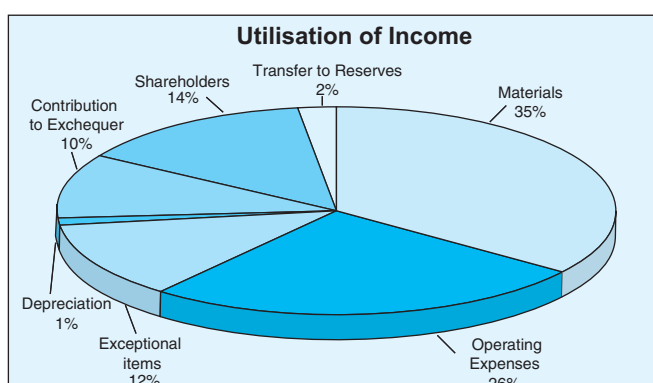
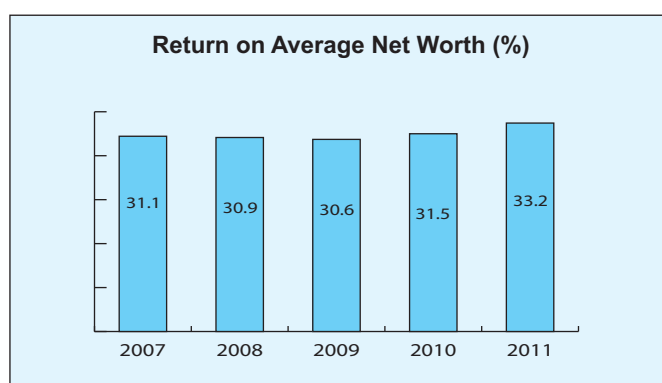
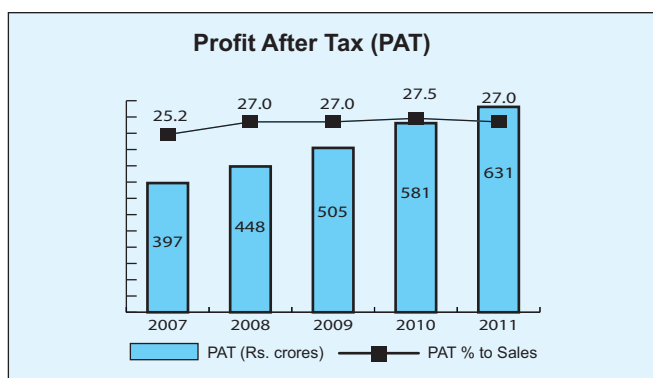
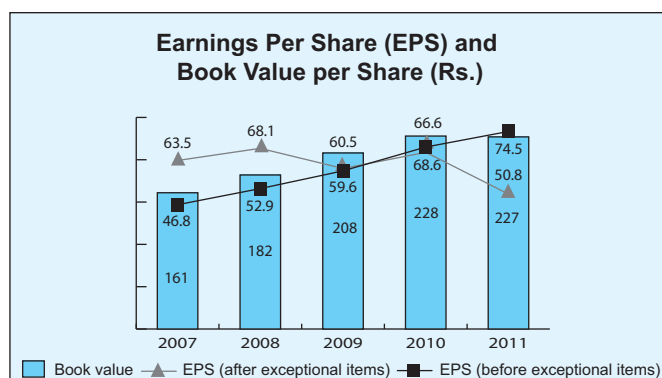
Performance Summary

(Amounts in Rupees Lakhs)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
PROFIT AND LOSS ACCOUNT										
Sales	2391.73	2155.08	1912.77	1751.56	1712.84	1677.57	1575.89	1479.59	1191.69	1148.22
Profit before tax	921.60	867.27	758.48	679.90	606.73	555.95	477.91	418.24	284.56	196.33
Tax	(290.24)	(285.89)	(253.59)	(231.54)	(209.94)	(194.23)	(171.63)	(152.19)	(102.70)	(67.86)
Profit after tax	631.36	581.38	504.89	448.36	396.79	361.72	306.28	266.05	181.86	128.47
Exceptional items (net of tax)	(200.76)	(17.69)	7.40	128.21	140.87	183.79	195.80	67.04	(9.63)	(30.41)
Net Profit	430.60	563.69	512.29	576.57	537.66	545.51	502.08	333.09	172.23	98.06
Balance brought forward	1164.53	1049.23	882.41	759.89	632.75	441.19	259.75	196.93	120.89	91.64
Dividends	(381.16)	(338.81)	(254.11)	(338.81)	(304.93)	(262.58)	(237.17)	(209.57)	(74.48)	(52.13)
Tax on distributed profit	(60.32)	(53.21)	(40.13)	(57.58)	(51.82)	(36.82)	(33.26)	(27.39)	(9.54)	(6.68)
Transfer to General Reserve	(43.06)	(56.37)	(51.23)	(57.66)	(53.77)	(54.55)	(50.21)	(33.31)	(17.50)	(10.00)
Balance carried forward	1110.59	1164.53	1049.23	882.41	759.89	632.75	441.19	259.75	191.60	120.89
BALANCE SHEET										
Equity Capital	84.70	84.70	84.70	84.70	84.70	84.70	84.70	87.32	74.48	74.48
Reserves	1835.23	1846.11	1674.45	1456.39	1276.21	1110.01	863.91	836.94	593.01	504.80
Net Worth	1919.93	1930.81	1759.15	1541.09	1360.91	1194.71	948.61	924.26	667.49	579.28
Borrowings	4.91	5.16	5.42	5.65	5.77	5.54	4.85	3.85	2.86	1.98
Total Capital Employed	1924.84	1935.97	1764.57	1546.74	1366.68	1200.25	953.46	928.11	670.35	581.26
Net Fixed Assets	124.54	117.65	114.17	100.35	92.90	94.46	96.94	91.49	99.38	115.40
Investments	159.80	160.35	190.91	751.87	1333.32	1139.41	913.06	776.82	409.12	162.00
Net Current Assets	1640.50	1657.97	1459.49	694.52	(59.54)	(33.62)	(56.54)	59.80	161.85	303.86
OTHER KEY DATA										
Rupees per Rs.10/- Equity Share										
DIVIDENDS	45.00	40.00	30.00	22.00	18.00	17.00	14.00	13.00	10.00	7.00
SPECIAL ADDITIONAL DIVIDEND	—	—	—	18.00	18.00	14.00	14.00	11.00	—	—
TOTAL	45.00	40.00	30.00	40.00	36.00	31.00	28.00	24.00	10.00	7.00
EARNINGS before exceptional items	74.54	68.64	59.61	52.93	46.84	42.70	35.69	30.47	24.42	17.25
EARNINGS after exceptional items	50.84	66.55	60.48	68.07	63.48	64.40	58.51	38.15	23.13	13.17
BOOK VALUE	226.67	227.96	207.69	181.95	160.67	141.05	112.00	105.85	89.63	77.78
Number of employees	5055	4338	4006	3722	3620	3850	4016	4136	4271	4654

NOTES

- The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
- The Company has bought back and extinguished 26,19,529 equity shares during 2005.
- Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
- The Marketing Undertaking of Megdoot Chemicals Limited has demerged into, and Croydon Chemical Works Limited has amalgamated with the Company from 1.1.2002.
- Profit And Loss Account balance brought forward as on 1.1.2004 includes Rs. 533 lakhs transferred from erstwhile Burroughs Wellcome (India) Limited, pursuant to the Scheme of Amalgamation.
- Figures have been adjusted/regrouped wherever necessary in line with the financial statements, to facilitate comparison.

Charts



Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2011

1. Results & Dividend for the year ended 31st December 2011

	Year ended 31 st December 2011 Rs. in Lakhs	Year ended 31 st December 2010 Rs. in Lakhs
SALES (Gross)	2391,73.39	2155,08.20
Less: Excise duty on Sales	53,69.99	43,43.95
NET SALES	2338,03.40	2111,64.25
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	921,59.78	867,26.60
Less: Provision for Taxation	290,23.79	285,88.43
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS	631,35.99	581,38.17
Exceptional Items (Net of Tax)	(200,75.57)	(17,69.36)
NET PROFIT AFTER TAX	430,60.42	563,68.81
Add: Balance brought forward from the previous year	1164,52.81	1049,23.41
Amount available for disposal	1595,13.23	1612,92.22
APPROPRIATIONS :		
General Reserve	43,06.04	56,36.88
Equity Dividend	381,16.35	338,81.20
Distribution Tax on Dividend	60,31.69	53,21.33
Balance carried forward	1110,59.15	1164,52.81

2. Dividend

The Directors recommend a Dividend of Rs. 45 per Equity Share for the year (previous year: Rs. 40 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 381 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 60 crores.

3. Management Discussion and Analysis

(a) Finance and Accounts

Your Company maintained its prominent position in the Pharmaceuticals market with Net Sales (net of Excise Duty) registering a growth of 10.7%. Profit After Tax and Before Exceptional Items grew by 8.6%. Sales of the Company's Pharmaceuticals business grew by 12.5%, supported by good growth in the vaccines, dermatologicals, hormonal preparations, gastro - intestinal and oncology therapeutic segments. Despite material cost escalations and significant expansion of the field force, Profit Before Investment Income and Tax amounted to 33% of Net Sales. Profit After Tax and Before Exceptional Items amounted to 27% of Net Sales.

Cash generation from operations was favourable, with your Company continuing to look for ways and means of deploying accumulated cash balances which remain invested largely in bank deposits.

Your Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31st December 2011.

(b) Pharmaceuticals Business performance and outlook

Your Company continues to enjoy a leadership position in the categories in which its products are represented.

The Mass Specialty business of your Company recorded double digit growth over the previous year. Some of the key brands grew ahead of the market thereby gaining Market share.

The foray into branded generics market with Zobactin and Esblanem yielded good results during the year. Zobactin is ranked as the No. 2 brand (Dec MAT 2011, H.S.A) in a market which has more than 56 brands of Piperacillin+Tazobactam. In the Meropenem market, Esblanem is ranked at 6th position (Dec MAT 2011, H.S.A).

Mycamine an in-licensed brand from Astellas became the 2nd largest brand (Dec MAT 2011, SSA) in the systemic antifungal market. Calcium Citrate Malate [CCM], the high strength Calcium, re-launched in 2010 has performed well in a cluttered market of more than 300 calcium oral solid brands and has jumped from 19th rank to the 2nd rank brand (Dec MAT 2011, SSA) in the calcium oral solids category during the year. In a market, with more than 70 generics, Cefum continues to maintain its leadership position and has been awarded a Certificate of Marketing Excellence in Premium Brand Category by C-Marc-IPHMR in December 2011.

Your Company has taken the initiative to expand its presence in the Specialty business to widen its footprint in India. Your Company's endeavour in Oncology to bring the latest breakthrough/ innovative products to enhance patient care is well acknowledged by the oncologists. After the successful launch of Tykerb in 2008, your Company has expanded its presence further by introducing two new segments, Kidney Cancer and Hematology with launch of Votrient™ and Revolade™. Votrient is indicated for the treatment of advanced renal cell carcinoma (RCC). Revolade is for the treatment of thrombocytopenia (reduced platelet count) in adults with the blood disorder chronic immune (idiopathic) thrombocytopenic purpura (ITP).

In the cardiovascular business, your Company continues to maintain the leadership with Lanoxin and strengthened the position with an in-licensed product, Benitec from Daiichi, Japan. After entering the fast growing Statin market, Rosutec slotted as the 4th best new introduction from a Multinational Company in the cardiology space, moved up 10 ranks to the 15th position (Dec MAT 2011, SSA). In the endeavour to consolidate the cardiovascular portfolio, your Company has launched Angiotec, Ranolazine one of the emerging chronic angina targets in India. In the Diabetes segment, your Company is in the process of strengthening its presence by the introduction of branded generics as volume builders like METLEAD (Metformin) and new launches of Metformin + Glimiperide (METLEAD G).

The Dermatology business of your Company continues to maintain the leadership position with 15% market share (Dec MAT 2011, SSA). The topical steroid portfolio of the Dermatology business is growing ahead of the market. Topical antibiotics, Anti-fungal and Anti-viral portfolio too have grown in double digits. The initiative to expand its presence in cosmetic dermatology through the Stiefel brand promoted by your Company has reflected in this year's performance by significant gain in market share. The three represented segments of cosmetic dermatology, acne, dry skin and sun protection are supporting this growth. Dermocalm, the 19th brand of calamine launched in 2009, attained 1st rank in 2011 (Dec MAT 2011, SSA).

Mass market activity brands comprising of acute care classic brands had crossed many landmarks in terms of turnover of brands. Calpol, which is ranked as No. 1 prescribed product in Indian Pharmaceutical Market as per (Dec MAT 2011, IMS Rx audit) and Zinetac have crossed Rs. 100 crores. Neosporin maintained its lead in the topical antibiotic market. Cobadex CZS remained as a leader in the segment. Calpol T, the new introduction in pain segment, overtook 75 brands and became No. 3 in Paracetamol+Tramadol market (Dec MAT 2011, SSA).

Your Company's Rural Marketing initiative continued the excellent pace of growth and rapidly expanded to many new villages. The growing equity in these markets was clearly reflective in double digit growth across the spectrum of brands.

Your Company's Vaccines business grew significantly higher than the overall vaccines market growth. The key drivers of growth were brands Havrix, Varilrix and Rotarix. The vaccines field force has doubled over the past two years thereby enabling better reach and coverage of pediatricians and non-paed specialties across the country. The year also saw the launch of Synflorix - a vaccine against invasive pneumococcal disease - the leading cause of childhood mortality in India. This vaccine will help reduce the burden of pneumococcal disease in India thereby help in achieving the United Nations Millennium Development Goals. Your Company continues to remain the leading company in the Indian vaccines market.

Your company continued the search for new Business Development opportunities in high growth therapeutic areas.

Exports recorded a sales turnover of Rs. 36.51 crores comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, France, Indonesia, Jordan, U. K. and Germany.

(c) Opportunities, risks, concerns and threats

The industry growth is largely driven by chronic disease segments viz. cardiovascular, diabetes, asthma, cancer, and largely influenced by changing lifestyles. There are signs that health awareness has increased due to higher disposable incomes, urbanization and greater health insurance coverage, which could improve further with acceleration in Government spend on healthcare infrastructure. The adoption of intellectual property rights has encouraged innovation. The industry continues to remain under price control; the scope and coverage of the Government's new pharmaceuticals policy cannot be ascertained, since it is pending review by the Government and remains an area of uncertainty for the pharmaceutical industry. It is hoped that the Government will consider several representations made by industry associations in finalizing the policy. Data Exclusivity / Data Protection remain a concern area for the industry.

(d) Research & Development and Regulatory Matters

Your Company has received approval for 10 new products and 2 INDs from CDSCO, which will enable timely access to new and innovative therapeutic options to patients in our country. Additionally, to support the R&D efforts of GlaxoSmithKline, your Company submitted 7 global Clinical Trial applications to CDSCO, and have been granted approval to conduct 4 studies in the Indian population through the Clinical Operations team in India.

Some of the novel innovator products approved by the regulatory agency in India during the year under review, include a 10-valent pneumococcal vaccine (Synflorix) for immunisation of infants and children against sepsis, meningitis, pneumonia, bacteraemia and acute otitis media; topotecan capsules (Hycamtin), an oral oncology drug for the treatment of patients with relapsed small cell lung cancer. In addition, new indications approved for existing products, viz., micafungin (Mycamine) for use in patients with aspergillosis and albendazole (Zentel) for treatment of systemic helminth infections such as neurocysticercosis will be beneficial to Indian patients.

GlaxoSmithKline continues to be committed to Research and Development of medicines that will improve the quality of life of people around the world and truly make a difference to patients. Your company is one of the few with passion for research and with exemplary skills for turning that research into medicines, keeping a "patient first" attitude in everything that it does. Your Company's scientists work hard to discover new medicines that prevent, treat or cure diseases. The R&D effort of GlaxoSmithKline is supported by the Clinical Operations team, which conducts clinical studies across a number of disease areas ranging from breast cancer, head & neck cancer, lung cancer, gastric cancer, leukemia, malaria, influenza, osteoporosis and complicated urinary tract and intra-abdominal infections.

The R&D effort of GlaxoSmithKline Vaccines is also being supported by the Clinical Operations team in India by undertaking clinical studies for the vaccine initiatives, key among these are; TB vaccine (Phase II A), Conjugated Meningococcal vaccine, Herpes Zoster vaccine study (Phase III) and Epidemiology study to understand prevalence of *Streptococcus pneumoniae* serotypes in India.

Your company initiated 6 new clinical studies during the year, most of which were in oncology. A total of 85 patients participated in these studies. Your company has trained 36 new investigators on GCP and protocol related science at approximately 32 clinical trial sites across India. Quality continues to be a priority as demonstrated by a number of internal compliance audits with no critical/major findings.

The Medical Affairs team plays a pivotal role in communicating cutting edge scientific information to internal and external stakeholders. This team drives all the scientific engagement activities with external experts across all therapy areas and also ensures that GSK's promotional activities are in line with the existing guidelines and standard operating practices.

(e) Internal Control Framework

Your Company conducts its business with integrity and high standards of ethical behavior, and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, supported by standard operating procedures, policies and guidelines, including suitable monitoring procedures and self-assessment exercises. In addition to external audit, the financial and operating controls of your Company at various locations are reviewed by the Internal Auditors, who report significant findings to the Audit Committee of the Board. Compliance with laws and regulations is also monitored.

Your Company's Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions. In accordance with the Code of Conduct, and Standards

associated with the Code of Conduct, employees are required to become familiar with the legal requirements, policies and procedures applicable to their areas of operation, avoid conflicts of interest and are tasked with upward reporting of all unethical and illegal conduct. All employees are committed to the principle of performance with integrity and ensuring that activities comply with all applicable laws.

Additionally, Managers are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or violative of the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company's commitment to the highest standards of integrity.

(f) Human Resources

In the Human Resources domain your Company continued to focus on the three strategic pillars of Capability Building, Talent Management and Employee Engagement.

Talent Management has focused on taking a structured approach emphasising on creating a talent pipeline at the leadership, the middle management and at the fresh management graduate intake level. Each function has been encouraged to identify key talent with a view to retain, grow and develop them. A few employees have also been moved to international markets as part of our planned development moves.

A carefully planned Learning and Development calendar was created and implemented to provide the necessary leadership and skill building capability to our employees. Under the Employee Assistance Programme - Wellness and Wellbeing Services were provided to those employees who needed it. HR surveys were conducted this year to gauge service levels and bring in better customer service to our employees. The survey findings indicate that your Company has scored well over the global average.

On the Industrial Relations front your Company's Unions have extended its support and cooperation in attaining your Company's business objectives.

On the sales training front over 44,000 man days of classroom training have been invested to enhance the Disease - Product Knowledge - Selling Skills. Additionally, internet based learning solutions was widely adopted to promote continuous distance learning.

Given the robust growth plans of your Company, ramp-up of sales personnel continued with over 600 new front-line sales personnel being inducted into the workforce last year. As a result, your Company had a staff strength of 5055 employees as on 31st December 2011, compared to 4338 employees at the end of 2010.

(g) Procurement

The year saw many uncontrollable factors affecting outlook adversely namely global and local economic downturn, high inflation and depreciating Indian Rupee - these posed risks in supply continuity coupled with increasing cost. However, a combination of strategic commodity management and integration with the global and regional management structure helped your Company in mitigating these price pressures to a great extent. A global program of ensuring 100% vendors being audited for global level quality compliance got completed which would assure RM/PM quality all the time and is a big step to ensure vendors becoming true partners for reliable supply, service and quality and with lowest possible total cost to your Company.

(h) Manufacturing

Your Company continues to invest in manufacturing capabilities and the supply network to support growth at optimum product cost. Nashik site continues to deliver Albendazole tablets to WHO as a part of the Lymphatic Filariasis eradication programme. Nashik manufacturing site continue to focus on waste reduction opportunities through optimising material usage and pack rationalization. There was considerable focus on improving Environment, Health and Safety and GMP compliance at both Nashik and Thane sites during the year.

The Nashik site has embarked upon major investment programmes to augment the capacity of various dose forms in line with the latest GMP requirements and the growing market volumes.

Manufacturing Excellence

Nashik site continues to support sales growth through significant volume contribution by creating supply capabilities through adding best in class manufacturing equipments. During the year Nashik site supplied ~ 7.2 Bn dose forms. There was focus on improving the Environment, Health and Safety at site through living safety training, Zero access machine guarding, and LOTO programme implementation. Nashik site has also received the WHO GMP certificate.

(i) Supply Chain

The positive trend of improvement in Supply performance was consolidated during the year. A key achievement was the stabilization of the vaccine portfolio through maintaining a consistent supply position for all brands. This improvement has also helped support the larger business performance trend. The emphasis on Good Warehousing practices and process control related to the reverse supply chain continued. Your Company's buildup to a post-GST optimized model continues through working on preparedness for regional consolidation timed with the eventual rollout of GST.

(j) Corporate Social Responsibility

During the year, your Company continued its commitment towards social development by supporting long term ongoing projects while undertaking many new initiatives.

Your Company implements rural development initiatives through Gramin Arogya Vikas Sanstha (GAVS), a registered public trust promoted by the Company and operates predominantly in remote areas of tribal villages in Peth district near Nashik. Through GAVS, your Company in collaboration with Nirmaya Health Foundation is running a Tribal health care project in 115 villages covering a population of over 1 lakh for preventive and curative health care. GAVS in partnership with Kherwadi Social Welfare Association (KSWA) has also provided vocational training to 875 tribal youths in this underserved district for sustainable livelihoods.

Your Company continued its support to Institute for Indian Mother and Child (IIMC), a non - government organization and reached more than 1.30 lakh patients including pregnant, lactating, weaning mothers and malnourished children for health and nutrition in Kolkata. Another health care project which your Company is supporting through Nirmaya Health Foundation is in the slum areas of the dumping grounds in Deonar, Mumbai. This project caters to the health and educational needs of over 6000 rag picker children and their families.

During the year, your Company proactively supported four voluntary organizations for cancer care. This included screening camps to facilitate early detection, treatment, rehabilitation and palliative care of cancer affected patients from underserved community. Sri Chaitanya Seva Trust was supported for Cancer screening camps and over 85 camps were conducted, thereafter 139 patients who were detected with cancer have been treated. New initiatives were also taken to provide complete assistance to cancer patients and their families. A Mammography machine was donated to Cancer Patients Aid Association, while Indian Cancer Society was supported for rehabilitation of cancer patients through vocational training, employment and nutritious diet. The Bangalore Hospice Trust, Karunashraya was supported with donation of medicines for care of critically ill cancer patients.

In collaboration with Pratham, an NGO, your Company runs shelter homes in Behraich (U.P.) and Jodhpur (Rajasthan) for 92 underprivileged and vulnerable children who were earlier exploited as child laborers. In these shelter homes, besides education and health, the focus is on holistic development. Your Company also supported 1000 underprivileged girls through project Nanhi Kali, for primary education to contribute to Millennium Development goal.

Among other new initiatives taken during the year is the support to Paraplegic Foundation in Mumbai for rehabilitation of the severely orthopedically disabled lower socio-economic class patients. The Installation of Solar photovoltaic technology to meet the electricity need of 108 girls in residential school in Allahabad to facilitate their studies was also undertaken. Another regional project continued was the support to mentally challenged children for special education through Ashirwad Special Education School, New Delhi.

GSK plc continued its efforts in strengthening immunization infrastructure in 5 Health Posts of Mumbai slums with PATH, an international development organization. "The Personal Hygiene and Sanitation Education (PHASE) Programme" supported by GSK plc was implemented successfully this year as well through Pratham, an NGO working towards child's right to education. GSK plc also extended its support to increased donation of Albendazole, effective in treating people at risk of intestinal worms as part of its global program towards the elimination of Lymphatic Filariasis.

(k) Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

4. Directors

The Board of Directors have appointed Mr. R. Krishnaswamy as Executive Director in place of Dr. A. Banerjee with effect from 1st August 2011 and have appointed Mr. A.N. Roy as additional Director with effect from 4th November 2011 and he would hold the office upto the ensuing Annual General Meeting. The Board has also appointed Dr. A. Banerjee as alternate Director to Mr. S. Harford, Non - Executive Director with effect from 1st August 2011.

Mr. R. R. Bajaaj, Mr. N. Kaviratne and Mr. R. Krishnaswamy retire by rotation and, being eligible, offer themselves for re-appointment.

5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the 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 financial year ended 31st December 2011 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

6. Corporate Governance

Your Company is part of the GlaxoSmithKline plc group and conforms to norms of Corporate Governance adopted by them. As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, given in Annexure 'B', forms a part of this Report.

7. Auditors

Members are requested to re-appoint M/s. Price Waterhouse & Co, Chartered Accountants, as the Auditors of the Company and authorise the Audit Committee to fix their remuneration.

Pursuant to the Order issued by the Central Government under Section 233B of the Companies Act, 1956, the Board of Directors of your Company have appointed Messrs R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for its Bulk Drugs and Formulations.

8. General

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report. The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the reports and accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company. Further, attached to the accounts of the Company are the Report and Audited Accounts of Biddle Sawyer Limited, a subsidiary company.

9. Employees

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company and for the support received from all other stakeholders, including shareholders, doctors, medical professionals, customers, suppliers and business partners.

On behalf of the Board of Directors

D.S. Parekh
Chairman

Mumbai, 16th February 2012

Annexure 'A' to the Directors' Report

1. Conservation of Energy:

Energy conservation activities continue to be one of the key focus areas for all manufacturing initiatives. Regular review of energy generation & its utilisation is continuously undertaken. In support of the initiative on Climate Change, the focus is to reduce the 'carbon foot print' and improve energy efficiency.

- Nashik factory has achieved 2% reduction in Gigajoules & carbon footprint compared to 2010 consumption through various energy conservation initiatives. Energy kaizen follow up event organized at site & reviewed the projects, which were completed during last two years.
- In an audit carried out by "Projective" which is a consultant appointed by GSK plc, the Nashik site has been commended for its efficient energy management systems.
- The steam & condensate energy audit was conducted by M/s Armstrong to define opportunities for optimization in the steam system at Thane and Nashik.
- The study of compressed air, Nitrogen Gas and Effluent treatment plant was carried out by M/s Air technology for opportunities for optimization of compressed gas system at Thane.
- Replacement of high energy consuming 160 HPMV (High Pressure Mercury Vapour) lamps by Energy efficient 2x28 watt T5 LED (Light Emitting Diode) for street light fitting and manufacturing areas at Thane.

Some of the measures for optimising the usage, undertaken during the year at Nashik are listed below:

Replacement of old HVAC ducting insulation

- Energy efficient pumps for cooling water/chilled water
- High efficiency motors for utility equipments
- Use of EC motors for AHU
- Old low efficiency air compressor replaced with new high efficiency air compressor
- All new equipment are procured with energy efficient induction motors
- Increased operational control on utility equipment

Apart from the above measures, continued efforts for monitoring of noise levels, recycling of waste and monitoring of gaseous emission from boiler helped sustain a high level of energy efficiency.

Power and Fuel Consumption

		Year Ended 31st December 2011	Year Ended 31st December 2010
1. Electricity			
(a) Purchased units	KWH'000	20,674.91	23,394.08
Total amount	Rs.Lacs	1,349.83	1,337.00
Rate/Unit	Rs.	6.53	5.72
(b) Own generation			
(i) Through DG			
Units	KWH'000	164.93	295.20
Units/Ltr of HSD		2.83	2.50
Cost per unit	Rs.	17.40	15.45
(ii) Coal		N.A.	N.A.
2. Furnace Oil, LDO & LSHS			
Quantity	KL	2,112.39	2,732.42
Total amount	Rs.Lacs	728.04	805.17
Average rate	Rs./KL	34,464.98	29,467.29

Consumption Per Unit of production

Particulars	UOM	2011		2010	
		Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	Units	15,43,826	79,675	8,46,710	78,253
Furnace Oil, LDO & LSHS	Kltrs	230.18	5.56	151.73	5.28
Natural Gas	Th.NM3	—	—	—	—

II. Research and Development (R&D)

The company has two R&D units, namely Chemistry Research & Development (CR&D) and Pharmaceutical Research & Development (PR&D). Both are approved by Department of Science and Industrial Research, Government of India.

A. Chemistry Research & Development (CR&D), Thane

CR&D at Thane carries out research services activities for the “Platform Technology & Services - Computational and Structural Chemistry” (PTS-CSC) group of GSK R&D, U.K. These activities are in the area of early phase of drug discovery. The work consists of synthesis of monomers (or building blocks) and synthesis of final single compounds. Monomers are new organic molecules. These are directly deposited into GSK library of new compounds for various assays catering to different therapeutic areas.

B. Pharmaceutical Research and Development (PR&D), Nashik

Pharmaceutical R&D started using software aided DoE (Design of Experiments) for developing and optimizing the manufacturing processes. The department undertook a number of improvement initiatives, new product introductions and new source evaluations and qualifications. PR&D also utilized the trained resources on in-house manufacturing process improvements as well as supported new product launches through collaborative work with various business partners.

PR&D worked with various suppliers, Packaging Centre of Excellence GSK plc (PackOne) and internal stakeholders to design and develop packaging solution to meet the “track and trace” requirements for secondary and tertiary packs for Government supplies and export orders. The department also worked on SMS Technology (mass encryption technology) as an anti-counterfeit measure for key brands.

The company continues to be privileged to have access to various research databases used worldwide and to latest technologies developed by GlaxoSmithKline Group.

Important milestones achieved by PR&D are:

- PR&D supported dual sourcing strategy for raw materials and finished products to create the flexibility and increase capacity to ensure security of supply.
- Implementation of “track and trace” for tertiary packs for institutional supplies and export orders.
- The department successfully implemented new sources of APIs and excipients which has resulted improvement in security of supply and in cost savings.
- DoE implemented in couple of products to ensure process/formula optimisation.
- Improved technical understanding of Albendazole LF tablets manufactured for WHO donation programme.
- Technically ready to implement SMS Technology (mass encryption technology) for major products like Eltroxin.

Future Plans:

- The Pharmaceutical R&D is planning to review all the Liquid Oral formulations with a view to explore the possibility of substituting the sugar with artificial sweeteners to significantly reduce the calorie content of the formulations and simplify the processes used for manufacturing Liquid Oral products. Other cost saving opportunities also would be explored. The department is planning to implement SMS Technology (mass encryption technology) for major products like Eltroxin on commercial scale.

Expenditure on R&D:

	Rs. Lakhs
Capital	3.85
Recurring	382.79
Total:	<u>386.64</u>
Total R&D expenditure as a percentage of turnover	0.17 %

GSK plc the parent organization of your company is one of the biggest investors in R&D to bring new products and vaccines to the market. Your company has been a beneficiary of this significant investment in R&D and it is the effort of the parent organization which has enabled your company to bring a number of new drugs to market since inception. The Board and the Management of your company are indeed appreciative of this substantial support being received from the parent organization.

Technology Absorption, Adaptation and Innovation:

- 1) Use of fully automated compression machines for voluminous products like Zinetac at Nashik.
- 2) Cost effective "track and trace" technology for tertiary packs for Government supplies and export orders.
- 3) Software aided "Design of Experiment" approach in process development.
- 4) Raman spectroscopy and Near Infra Red Technologies for identification of Albendazole polymorphs.
- 5) Use of isolators for potent compound handling at commercial scale.

III. Foreign Exchange Earnings and Outgo

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

- (1) Exports amounted to Rs. 3651 lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs. 36310 Lakhs (which includes amounts spent on import of raw and packing materials and finished goods aggregating to Rs. 17948 Lakhs and Dividend payment of Rs. 17167 Lakhs) as compared to Rs. 31437 lakhs in 2010. The foreign exchange earned was Rs. 7987 Lakhs mainly on account of exports and clinical research and data management as compared to Rs.10799 lakhs in 2010. Details have been given in Notes 19 to 22 in Schedule 17 to the financial statements.

Annexure 'B' to the Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. For several years, the Company has adopted a codified Corporate Governance Charter, which is in line with the best practice, as well as meets all the relevant legal and regulatory requirements. All Directors and employees are bound by Code of Conduct and the associated standards of Conduct that sets out the fundamental standards to be followed in all actions carried out on behalf of the Company.

2. Board of Directors

• Composition and size of the Board

The present strength of the Board is Fourteen Directors. The Board comprises of Executive and Non - Executive Directors. The Non - Executive Directors bring independent judgement in the Board's deliberations and decisions. Four Directors, including the Managing Director, are Executive Directors. There are ten Non - Executive Directors, of which, seven are Independent Directors.

Glaxo Group Limited, U.K., have rights enshrined in the Articles of Association relating to the appointment and removal of Directors not exceeding one-third of the total number.

• Board meetings and attendance

Six Board meetings were held in the 2011 and the gap between two Board meetings did not exceed four months. The annual calendar of Board meetings is agreed upon at the beginning of each year.

The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated at least three days prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board to take informed decisions.

The dates on which meetings were held are as follows:

Sr.No.	Date of Meeting	Board Strength	No. of Directors present
1.	14 th February	13	12
2.	29 th March	13	13
3.	6 th May	13	11
4.	10 th August	13	12
5.	4 th November	13	12
6.	20 th December	14	12

- Attendance of each Director at the Board meetings and last Annual General Meeting (AGM) and the number of companies and committees where he is a Director / Member (as on the date of the Directors' Report)

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at the last AGM held on 29 th March 2011	Number of Directorships in other companies (excluding Directorships in foreign and private companies)	Number of committee positions held in other companies	
					Chairman	Member
Mr. D. S. Parekh Chairman	Non-Executive	6	Yes	8*	1	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	5	Yes	1	Nil	2
Dr. H. B. Joshipura Managing Director	Executive	6	Yes	1	Nil	Nil
Mr. R. R. Bajaj	Non-Executive & Independent	5	Yes	2	Nil	Nil
Dr. A. Banerjee (Alternate to Mr. S. Harford w.e.f. 1.8.2011)	Executive	4	Yes	Nil	Nil	Nil
Mr. P. V. Bhide	Non-Executive & Independent	5	Yes	5	1	Nil
Mr. S. Harford	Non- Executive	5	Yes	Nil	Nil	Nil
Mr. M. B. Kapadia	Executive	6	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	5	Yes	1	Nil	Nil
Mr. R. Krishnaswamy (w. e. f. 1.8.2011)	Executive	2	N.A	1	Nil	Nil
Mr. V. Narayanan	Non-Executive & Independent	6	Yes	7	4	2
Mr. P. V. Nayak	Non-Executive & Independent	6	Yes	1	Nil	2
Mr. A. N. Roy (w. e. f. 4.11.2011)	Non-Executive & Independent	1	N.A	1	Nil	Nil
Mr. R. C. Sequeira	Executive	6	Yes	2	Nil	Nil
Mr. D. Sundaram	Non-Executive & Independent	4	Yes	4	2	1

* In addition, Mr. D. S. Parekh is Alternate Director on 2 Public Limited Companies.

- Directors with materially significant related party transactions, pecuniary or business relationship with the Company

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interests of the Company at large.

- Details of Directors being appointed /re-appointed

As per the Statute, two - third of the Directors should be retiring Directors. One - third of these retiring Directors are required to retire every year and if eligible, these Directors qualify for re-appointment.

Mr. R. R. Bajaaj, Mr. N. Kaviratne and Mr. R. Krishnaswamy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A brief resume of Directors appointed/eligible for re-appointment along with the additional information required under Clause 49 (VI) (A) of the Listing Agreement is as under:

Mr. A. N. Roy

Mr. Roy, 61 holds a Master degree in History and is a retired civil servant. During his 38 years long career in the Indian Police Service ("IPS"), he held with great distinction a range of assignments including some of the challenging and sensitive ones, both in the Maharashtra State and Government of India. He retired in May, 2010 as the Director General of Police (DGP), Maharashtra, heading a police force of over 2,00,000. As the DGP Maharashtra, he was the advisor to the State Government for internal security, law and order and crime administration. Mr. Roy, as Police Commissioner of Mumbai for over three years has evolved many instruments and schemes for making Police services more accessible to citizens and people-friendly. Citizen Facilitation Centers for providing time-bound, transparent, hassle-free solutions to people's expectations from the Police were highly appreciated by people and media.

As Managing Director of Police Housing Corporation, he galvanized the work of planning, financing and executing projects of housing and office building construction for Police and other organizations under Home Department of Government of Maharashtra. As the Director General of Anti-Corruption Bureau, he initiated a policy document on Vigilance matters for Government of Maharashtra and took many steps for checking corruption in Government working. He was responsible for all operational matters in the elite Special Protection Group, charged with the responsibility of the proximate security of the Prime Minister and former Prime Ministers. He has very wide knowledge and experience of security and Intelligence matters at the state and national level.

Mr. R. R. Bajaaj

Mr. Bajaaj is a graduate in Science and Law. He joined Mahindra & Mahindra Limited as Management Trainee in 1964. He then moved on to Otis Elevator Company (India) Limited in their Field Operations Department in 1967 and held a series of increasingly senior roles within that Company including Head of Northern Regional Operations, Country Head for Middle East and South East Asia countries. Mr. Bajaaj returned to India as Managing Director of Otis Elevator Company (India) Limited in 1989. In 2000, he was appointed as Vice- President South and South East Asia operations based in Singapore. In 2001, he took up international assignment with an NGO Special Olympics Inc. as Managing Director, Asia Pacific. In 2006, he entered into a Joint Venture with the world's largest Consulting Firm for Vertical Transportation, Lerch Bates which is Head quartered in Denver, U.S. He is a Director of the Company since October 2002 and is member of the Investor/ Shareholders Grievance Committee. He is also a Director in HDFC Asset Management Company Limited and President of Bombay Gymkhana Limited.

Mr. N. Kaviratne CBE

Mr. Nihal Kaviratne has an Honours degree in Economics from Mumbai University. His global career with Unilever spanned 40 years. He joined them in India as a Management Trainee in 1966, and held a series of increasing senior roles including Head of Marketing Research and Economics and General Manager of Export Division. In 1984 he moved as Managing Director of the Detergents Division in Indonesia, and later became Regional Leader for Latin America and South Asia at Corporate Headquarters in London, Managing Director in Argentina and Chairman in Indonesia. He was appointed Senior Vice President - Development and Environmental Affairs, Unilever Asia, based in Singapore and Chairman of Unilever's Home and Oral Care businesses in Asia.

He was awarded the CBE for services to UK business interests and for sustainable development in Indonesia. He is a Director of your Company since July 2005 and is the member of Audit Committee. Mr. Kaviratne is the Chairman of Akzo Nobel India Limited and of the Indian Cancer Society. He is President Commissioner of TVS Indonesia and a Director of several

Singapore based companies including the DBS Group, SATS, StarHub and Wildlife Reserves Singapore.

Mr. R. Krishnaswamy

Mr. Krishnaswamy has completed his B. Pharm from JSS college of Pharmacy Ooty and has undertaken Ex.MBA from ICFAI. Prior to joining the Company, Mr. Krishnaswamy worked as Senior Vice - President, Global Manufacturing with Wockhart Limited. In this capacity, he was leading the manufacturing operations of Wockhart in India, U.S.A and Ireland. He also headed the contract manufacturing services and the R&D formulation for India and rest of the world countries. Earlier, Mr. Krishnaswamy has also had successful stints with organisations like Cipla Limited, Bangalore and Ranbaxy Laboratories Limited. He was also actively working on the Boards of Wockhart Infrastructure Development Limited and Wockhart Biopharm Limited. He is appointed as a Director of the Company since 1st August 2011.

3. Audit Committee

• Terms of Reference

The terms of reference of this Committee are wide enough to cover the matters specified for audit committees under Clause 49 of the Listing Agreements, as well as in Section 292A of the Companies Act, 1956, and are as follows:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) to review with Management the financial statements at the end of a quarter, half year and the annual financial statements before submission to the Board for approval, focusing particularly on:
 - (i) matters required to be included in the Director's Responsibility Statement which form part of the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - (ii) changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
 - (iv) significant adjustments made in the financial statements arising out of audit findings;
 - (v) compliance with listing and other legal requirements relating to financial statements;
 - (vi) disclosure of any related party transactions; and
 - (vii) qualifications in the draft audit report.
- c) to consider the appointment or re-appointment of the statutory auditors, the audit fee, any questions of resignation or dismissal and payment to statutory auditors for any other services rendered by them;
- d) to discuss with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern (in absence of management where necessary);
- e) reviewing, with management, performance of statutory and internal auditors, adequacy of the internal control systems and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
- f) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g) discussion with internal auditors on any significant findings and follow up thereon;
- h) reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- i) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- j) to review the functioning of the Whistle Blower mechanism, in case the same is existing;
- k) to review the external auditors' audit reports and presentations and management's response thereto;
- l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
- m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;
- n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
- o) to consider other topics, as defined by the Board;
- p) to review the following information:
 - i) Management discussion and analysis of financial condition and results of operations;
 - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - iii) Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - iv) Internal audit reports relating to internal control weaknesses; and
 - v) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

- Details of the composition of the Audit Committee and attendance of Members are as follows:

Six Audit Committee meetings were held in 2011. The Committee comprises of Independent and Non-Executive Directors and their meetings were held on 14th February, 18th April, 6th May, 10th August, 17th October and 4th November 2011.

Name	Designation	Category of Directorship	Attendance out of six meetings held
Mr. D. Sundaram	Chairman	Non-Executive & Independent	5
Mr. D .S. Parekh	Member	Non-Executive	5
Mr. V. Thyagarajan	Member	Non- Executive	4
Mr. P .V. Nayak	Member	Non-Executive & Independent	6
Mr. N. Kaviratne	Member	Non-Executive & Independent	5

The Managing Director, the Finance Director, other Executive Directors, the Statutory Auditors and Internal Auditors are invitees to the meeting.

The Chairman of the Audit Committee, Mr. D. Sundaram, was present at the Annual General Meeting of the Company held on 29th March 2011.

4. Remuneration to Directors

A Senior Management Performance Review Committee determines / reviews the remuneration, performance and related bonuses of management / compensation of Executive Directors. The Committee comprises of Independent and Non-Executive Directors.

Independent and Non-Executive Directors other than Directors who are in the employment of the GlaxoSmithKline Group Companies are paid sitting fees of Rs.10,000 per meeting as remuneration and commission not exceeding in the aggregate 1% of the profits of the Company per annum.

The details of the remuneration paid to the Directors during the year 2011 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to Provident Fund and Superannuation Fund	Total
Dr. H. B. Joshipura	137.62	68.90	69.37	37.16	313.05
Mr. M. B. Kapadia	72.39	48.50	52.00	19.55	192.43
Dr. A. Banerjee	53.22	28.73	27.96	11.04	120.96
Mr. R. C. Sequeira	40.40	23.69	36.09	10.91	111.08
Mr. R. Krishnaswamy (w. e. f. 1.8.2011)	16.50	—	17.25	4.46	38.20

(Rs. in lakhs)

Independent and Non-Executive Directors	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	3.60	10.60
Mr. R. R. Bajaj	5.00	1.10	6.10
Mr. V. Narayanan	5.00	1.10	6.10
Mr. P. V. Nayak	5.00	1.90	6.90
Mr. N. Kaviratne	5.00	1.40	6.40
Mr. V. Thyagarajan	5.00	1.60	6.60
Mr. D. Sundaram	5.00	1.60	6.60
Mr. P. V. Bhide	5.00	0.90	5.90
Mr. A. N. Roy (w.e.f. 4.11.2011)	0.78	0.10	0.88

payable in 2012

Notes:

- The agreement between the Company and each of the Executive Directors is for a period of five years or normal retirement date, whichever is earlier. Either party to the agreement is entitled to terminate the agreement by giving not less than three months notice (six months notice in case of Managing Director) in writing to the other party.
- Performance bonus is paid as a percentage of salary, based on certain pre-agreed performance parameters.
- All the Directors of the Company, excluding the Managing Director, Directors in the whole-time employment of the Company and Directors who are in the employment of the GlaxoSmithKline Group Companies are entitled to receive commission collectively up to a maximum of one percent of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 for such period and such amount as may be decided by the Board of Directors from time to time.
- Presently, the Company does not have a scheme for grant of its stock options either to the Executive Directors or employees. However, the Executive Directors and some senior employees of the Company are entitled to Stock Options, Share Value Plan and Performance Share Plan of GlaxoSmithKline plc. During the year, in addition to the above, Dr. H. B. Joshipura, Mr. M. B. Kapadia, Dr. A. Banerjee and Mr. R. C. Sequeira were paid an amount of Rs. 20,37,494, Rs. 14,15,240, Rs. 11,46,943 and Rs. 8,05,487 respectively under the GlaxoSmithKline plc. Share Value Plan and Performance Share Plan.

- e) None of the Directors other than those listed above are paid remuneration.
- f) Mr. D. S. Parekh and Mr. P. V. Nayak hold 612 and 576 shares of the Company, respectively. None of the other Non-Executive Directors hold any shares of the Company.

5. **Investors / Shareholders Grievance Committee**

The composition of the Investors / Shareholders Grievance Committee is as follows:

Name of the Member	Designation	Category of Directorship
Mr. D. S. Parekh	Chairman	Non-Executive
Mr. R. R. Bajaaj	Member	Non-Executive & Independent
Mr. P. V. Bhide	Member	Non-Executive & Independent
Dr. H. B. Joshipura	Member	Executive

During the year under review, the Committee met on the 10th August 2011 and all the members except Mr. R. R. Bajaaj attended the meeting.

Name, designation and address of the Compliance Officer:

Mr. Ajay Nadkarni
 Company Secretary
 Dr. Annie Besant Road
 Mumbai-400 030
 Phone: (022) 2495 9433
 Fax: (022) 2498 1526
 Email ID: ajay.a.nadkarni@gsk.com

The complaints received during the year are as follows:

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	3	2	4	1	10
Stock Exchanges	2	2	-	1	5
Shareholders	12	15	7	11	45
Total	17	19	11	13	60

During the year, the above complaints regarding non-receipt of shares sent for transfer, demat queries and non-receipt of dividend warrants and annual reports were received from the shareholders, all of which have been resolved. The Company had no transfers pending at the close of the financial year.

6. **General Body Meetings**

- Details of the location of the last three Annual General Meetings (AGM) and details of the resolutions passed or to be passed by Postal Ballot:

Date	Year	Venue	Time
29 th March 2011	2010	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020	3.00 p.m.
25 th March 2010	2009		3.00 p.m.
2 nd April 2009	2008		3.00 p.m.

All the resolutions, including special resolutions set out in the respective Notices were passed by the shareholders. No Postal Ballots were used for voting at the meeting held during the year under review.

At the forthcoming AGM, there is no item on the agenda that needs approval by Postal Ballot.

7. **Disclosure**

- There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may 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.

- Transactions with related parties are disclosed in Note 25 of Schedule 17 to the financial statements in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either the Securities and Exchange Board of India or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.
- The Codes of Conduct applicable to all Directors and employees of the Company have been posted on the Company's website. For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said Codes.
- The Company has put in place a Whistle Blower Policy pursuant to which employees of the Company can raise their concerns relating to the fraud, malpractice or any other activity or event which is against the interest of the Company.

8. Means of Communication

- The quarterly and half-yearly results are published in widely circulating national and local dailies such as The Economic Times and Business Standard in English and Maharashtra Times in Marathi. These are not sent individually to the shareholders.
- The Company's results and official news releases are displayed on the Company's website. The Company's website address is www.gsk-india.com. The Company had meeting with and made presentations to institutional investors and analysts once during the year.
- The Management Discussion and Analysis Report forms a part of this Annual Report.

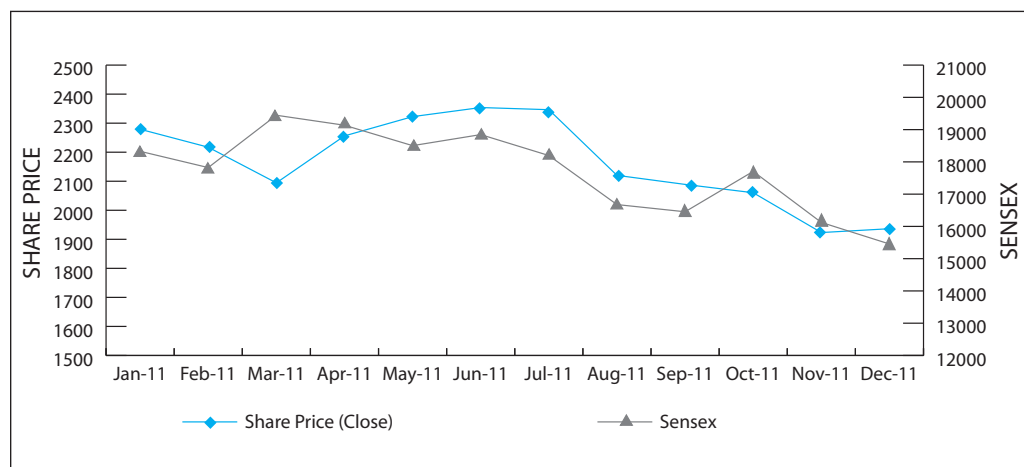
9. General Shareholder Information

- | | |
|---------------------------------------|---|
| • AGM: Date, Time and Venue | 10 th April 2012 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020 |
| • Financial Year | i) January to December
ii) First Quarter Results - First week of May
iii) Half-yearly Results - First week of August
iv) Third Quarter Results - First week of November
v) Results for the year ending 31 st December 2012 - February 2013 |
| • Date of Book Closure | 2 nd April 2012 to 10 th April 2012 (both days inclusive) |
| • Dividend Payment date(s) | On or after 11 th April 2012 |
| • Listing on Stock Exchange | The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1 st April 2011 to 31 st March 2012. |
| • Stock Code – Physical | 500660 on The Stock Exchange, Mumbai
GLAXO on The National Stock Exchange |
| • Demat ISIN Number for NSDL and CDSL | INE 159A01016 |

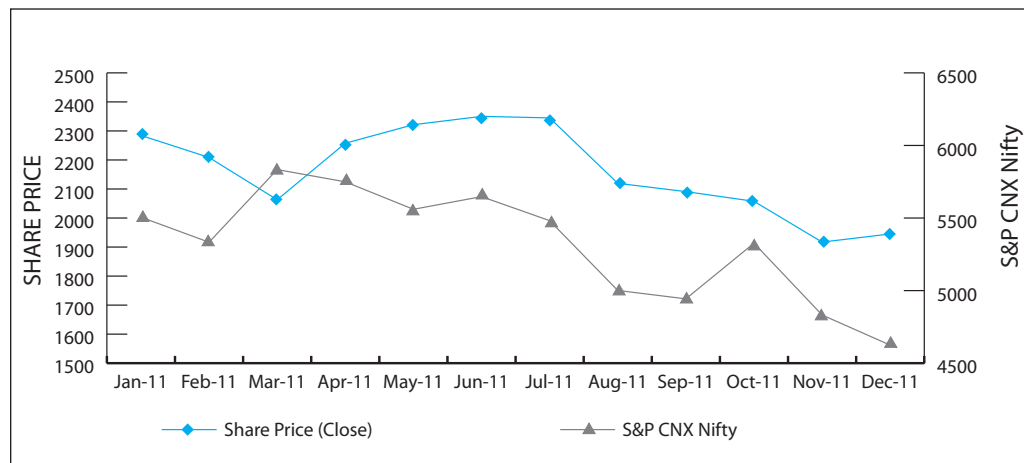
- High/low of market price of the Company's shares traded along with the volumes on the Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2011 is furnished below :

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of shares)	High (Rupees)	Low (Rupees)	Volume (No. of shares)
January 2011	2,430.10	2,180.75	61,248	2,434.95	2,180.00	2,94,105
February 2011	2,295.00	2,152.10	1,14,505	2,310.00	2,150.00	7,80,302
March 2011	2,227.10	2,010.50	2,53,941	2,224.00	1,971.00	7,99,265
April 2011	2,265.75	2,037.10	1,02,610	2,263.00	2,025.15	6,19,608
May 2011	2,375.05	2,195.30	66,803	2,388.80	2,200.00	3,47,899
June 2011	2,475.00	2,248.35	71,340	2,478.00	2,241.20	4,23,292
July 2011	2,391.00	2,288.00	38,155	2,415.00	2,256.50	4,55,079
August 2011	2,340.00	2,082.25	66,182	2,344.90	2,092.25	7,94,466
September 2011	2,155.00	1,966.05	96,992	2,154.85	1,965.05	5,45,218
October 2011	2,186.80	2,030.00	29,403	2,199.90	2,025.00	3,78,782
November 2011	2,143.90	1,873.05	70,191	2,148.00	1,862.00	4,80,781
December 2011	1,984.30	1,830.00	45,859	2,004.15	1,811.10	3,27,363

- **Share Performance of the Company in comparison to BSE Sensex**



- **Share Performance of the Company in comparison to NSE S&P CNX Nifty**



- Equity History

Particulars	No. of shares issued (of Rs. 10 each)	Year of issue
Original Holding	18,00,000	1924
Bonus Issue	2,00,000	1947
Bonus Issue	10,00,000	1962
Bonus Issue	24,00,000	1968
Public Issue	18,00,000	1969
Bonus Issue	36,00,000	1977
Bonus Issue	36,00,000	1980
Public cum Rights Issue	56,00,000	1983
Shares allotted to Group Companies	44,89,800	1993
Rights Issue	53,97,700	1993
Bonus Issue	2,98,87,500	1995
Shares issued pursuant to the amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited (SBPIL) with the Company in the ratio of one share of the Company for every two shares of SBPIL issued on 30 th November 2001	1,47,00,000	2001
Shares issued pursuant to the amalgamation of Burroughs Wellcome (India) Limited (BWIL) with the Company in the ratio of fourteen shares of the Company for every ten shares of BWIL issued on 29 th October 2004	1,28,47,546	2004
Buy back of equity shares	(26,19,529)	2005
Total	8,47,03,017	

- List of top ten shareholders of the Company other than Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited who hold 35.99%, 6.94%, 3.97% and 3.77% shares respectively.

Sr. No.	Name of Shareholder	% to Equity
1.	Life Insurance Corporation of India	5.69
2.	Aberdeen Global Indian Equity Fund Mauritius Limited	3.42
3.	Aberdeen Global-Emerging Markets Equity Fund	1.72
4.	Aberdeen Global-Asia Pacific Equity Fund	1.58
5.	The Aberdeen Emerging Markets Institutional Fund	1.28
6.	General Insurance Corporation of India	1.18
7.	LIC of India - Market Plus	1.14
8.	HDFC Standard Life Insurance Company Limited	1.09
9.	Aberdeen Emerging Markets Equity Fund, A Series of the Aberdeen Institutional Commingled Funds, LLC.	0.97
10.	LIC of India Money Plus	0.81

- The distribution of shareholding as on 31.12.2011 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	28680	26.76	346774	0.41
26 to 50	17869	16.67	765071	0.90
51 to 100	22696	21.17	1846587	2.18
101 to 500	34937	32.59	6742913	7.96
501 to 1000	2044	1.91	1430855	1.69
1001 to 10000	814	0.76	1750423	2.07
10001 and above	153	0.14	71820394	84.79
Grand Total	106437	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2011 is as follows :

Category	No. of Shares	%
Glaxo Group Limited, U.K.	30485250	35.99
Eskaylab Limited, U.K.	5880000	6.94
Burroughs Wellcome International Limited, U.K.	3360000	3.97
Castleton Investment Limited	3192238	3.77
Insurance Companies, FIs & Banks	9762170	11.53
FIIIs, NRIs, OCBs	14661763	17.31
Mutual Funds	3454434	4.08
Domestic Companies	1732996	2.05
Resident Individuals	11973977	14.14
Others	200189	0.24
Total	84703017	100

- Registrars and Share Transfer Agents**

Karvy Computershare Private Limited
Unit: GlaxoSmithKline Pharmaceuticals Limited
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad 500 081
Tel No.: 040 - 44655000
Fax No.: 040 - 23420814
Contact Person(s): Mr. T. P. Raju /
Mr. Premkumar Nair
Email ID: einward.ris@karvy.com
- Share transfer system**

All the transfers received are processed by the Registrars and Share Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month or more depending on the volume of transfers. Share transfers are registered and returned within maximum of 18 days from the date of lodgment if documents are complete in all respects.
- Dematerialisation of shares and liquidity**

96.56% of the paid-up capital has been dematerialised as on 31.12.2011.

- Outstanding GDRs/ADRs/ Warrants or any convertible instruments conversion date and likely impact on equity Not issued.
- Plant locations The Company's plants are located at Thane and Nashik (Maharashtra).
- Address for correspondence Shareholders' correspondence should be addressed to the Company's Registrars and Share Transfer Agents at the address mentioned above.

Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.

Tel. Nos. 2495 9595 Extension 433/434
Email ID : ajay.a.nadkarni@gsk.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended 31st December, 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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 Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 16th February, 2012

Auditors' Report

TO THE MEMBERS OF GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'Company'), as at 31st December, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) 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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st December, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Mumbai, 16th February, 2012

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GlaxoSmithKline Pharmaceuticals Limited on the financial statements for the year ended 31st December, 2011]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets, other than the situation of furniture and office equipment, for which the situation recorded, is the location of the Company's different establishments.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory, excluding materials in transit, has been physically verified by the management during the year. Further, a major portion of inventory lying with third parties has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the Company for the current year.
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the Company for the current year.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the Company for the current year.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of the products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India, except some delays in depositing tax deducted at source on contractor payments.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax, sales tax, service tax and excise duty as at 31st December, 2011 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount* Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
The Income-tax Act, 1961	Income-tax including interest, as applicable	67,67.69	Assessment Years 2007-2008 to 2010-2011	Appellate Authority – up to Commissioner's level
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	17,21.38	Several demands pertaining to the period 1988-1989 to 2009-2010 and 2011-2012	Appellate Authority – up to Commissioner's level
		323.23	Several demands pertaining to the period 1983-1984, 1990-1991, 1998-1999, 1999-2000, 2001-2002, 2002-2003 and 2005-2006 to 2007-2008	Tribunal
		11.78	Several demands pertaining to the period 1990-1991 and 2001-2002	The High Court of Judicature at Allahabad and Luckow Bench.
The Finance Act, 1994	Service tax	1,29.20	January 2001 to December 2002	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
The Central Excise Act, 1944	Excise duty including interest and penalty, as applicable	1,10.14	Several demands pertaining to the period March 1992 to November 2007	Appellate Authority – up to Commissioner's level
		2,89.17	Several demands pertaining to the period October 1994 to February 2000, January 2001 to September 2002 and November 2003 to January 2007	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
		30.12	1977 to 1980	The High Court of Judicature at Bombay

* Net of amounts paid including under protest

10. The Company has no accumulated losses as at 31st December, 2011 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to the information and explanations given to us, the Company has not obtained any term loans that were not applied for the purpose for which these were raised.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 16th February, 2012

GlaxoSmithKline Pharmaceuticals Limited

Balance Sheet as at 31st December, 2011

Schedule								Rupees in lakhs		Previous year Rupees in lakhs
SOURCES OF FUNDS										
SHAREHOLDERS' FUNDS										
Capital	..	..	..	..	..	1		84,70.30		84,70.30
Reserves and surplus	..	..	..	..	..	2		1835,23.18	1919,93.48	1846,10.80
LOAN FUNDS										
Unsecured loans	..	..	..	..	..	3			4,90.52	5,16.19
TOTAL								1924,84.00		1935,97.29
APPLICATION OF FUNDS										
FIXED ASSETS										
Gross block	..	..	..	..	..	4		271,66.06		318,39.96
Less : Depreciation	..	..	..	..	..			172,52.85		209,46.65
Net block	..	..	..	..	..			99,13.21		108,93.31
Capital work-in-progress	..	..	..	..	..			25,40.84	124,54.05	8,72.09
INVESTMENTS										
DEFERRED TAX										
Deferred tax assets	..	..	..	..	..	5		67,42.52		65,13.53
Deferred tax liabilities	..	..	..	..	..	6		5,95.92	61,46.60	8,74.00
CURRENT ASSETS, LOANS AND ADVANCES										
Inventories	..	..	..	..	..	7		330,14.07		281,53.75
Sundry debtors	..	..	..	..	..	8		85,31.16		47,02.65
Cash and bank balances	..	..	..	..	..	9		1986,37.53		1948,07.69
Other current assets	..	..	..	..	..	10		68,97.44		52,82.12
Loans and advances	..	..	..	..	..	11		225,06.83		118,86.69
								2695,87.03		2448,32.90
Less : CURRENT LIABILITIES AND PROVISIONS										
Liabilities	..	..	..	..	..	12		354,53.72		346,21.85
Provisions	..	..	..	..	..	13		762,30.19		500,53.91
								1116,83.91		846,75.76
NET CURRENT ASSETS								1579,03.12		1601,57.14
TOTAL								1924,84.00		1935,97.29
Notes to the Financial Statements										

The schedules referred to above form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

GlaxoSmithKline Pharmaceuticals Limited

Profit and Loss Account for the year ended 31st December, 2011

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
INCOME			
Sales (Gross)		2391,73.39	2155,08.20
Less : Excise duty on sales		53,69.99	43,43.95
Net sales		2338,03.40	2111,64.25
Other income	14	197,46.99	147,10.72
TOTAL INCOME		2535,50.39	2258,74.97
EXPENDITURE			
Materials	15	908,51.20	777,00.39
Operating and other expenses	16	684,98.63	596,85.16
Depreciation		20,40.78	17,62.82
TOTAL EXPENDITURE		1613,90.61	1391,48.37
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		921,59.78	867,26.60
Provision for taxation			
Current tax		300,65.21	289,51.67
Deferred tax		(3,25.97)	(3,63.24)
		297,39.24	285,88.43
Fringe benefits tax - write back of provision for earlier years		(7,15.45)	—
		290,23.79	285,88.43
NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		631,35.99	581,38.17
EXCEPTIONAL ITEMS (net of tax) (Refer note 14 on Schedule 17)		(200,75.57)	(17,69.36)
NET PROFIT		430,60.42	563,68.81
Balance brought forward		1164,52.81	1049,23.41
AVAILABLE FOR APPROPRIATION		1595,13.23	1612,92.22
APPROPRIATIONS			
Proposed dividend		381,16.35	338,81.20
Tax on distributed profit		60,31.69	53,21.33
		441,48.04	392,02.53
Transfer to general reserve		43,06.04	56,36.88
		484,54.08	448,39.41
BALANCE CARRIED FORWARD		1110,59.15	1164,52.81
Earnings per share before exceptional items (basic and diluted) (Rs.)		74.54	68.64
Earnings per share (basic and diluted) (Rs.)		50.84	66.55
Face value of shares Rs. 10 each. (Refer note 29 on Schedule 17)			

Notes to the Financial Statements

17

The schedules referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

GlaxoSmithKline Pharmaceuticals Limited

Cash Flow Statement for the year ended 31st December, 2011

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	921,59.78	867,26.60
<i>Adjustments for :</i>		
Depreciation	20,40.78	17,62.82
Interest expense	32.74	62.15
Provision / write off for doubtful debts, loans and advances (net)	1,09.27	50.07
Unrealised gain on foreign exchange	(11.28)	(1.91)
Profit on sale / disposal of fixed assets (net)	(87.84)	(49.04)
Profit on sale / redemption of investments	—	(1.81)
Provision written back as no longer required	(14,60.97)	(7,93.24)
Interest income	(141,95.03)	(97,33.05)
Dividend income	(18,00.00)	(18,00.00)
Operating profit before working capital changes	767,87.45	762,22.59
<i>Adjustments for :</i>		
Inventories	(51,45.00)	(28,52.06)
Trade and other receivables	(38,42.88)	(7,12.41)
Trade payables/ other liabilities and provisions	15,59.52	46,70.53
Cash generated from operations	693,59.09	773,28.65
Direct taxes paid (net of refunds) (including fringe benefits tax)	(309,29.90)	(304,67.15)
Cash flow before exceptional items	384,29.19	468,61.50
Exceptional items:		
Payments under Voluntary Retirement Scheme	(9,12.62)	—
Payment for pricing of formulations	(53,10.77)	—
Non recurring expenses for merger / rationalisation initiatives	(72.21)	(1,06.50)
Net cash from operating activities	A 321,33.59	467,55.00
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(42,09.51)	(21,39.44)
Sale of fixed assets	2,45.60	76.78
Sale / redemption of investments	—	30,01.82
Interest received	130,30.81	74,60.20
Dividend received	18,00.00	18,00.00
Net cash from investing activities	B 108,66.90	101,99.36
c. CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings	(25.67)	(25.67)
Interest paid	(61.21)	(67.56)
Dividend paid	(337,66.77)	(253,02.73)
Tax on distributed profit	(53,28.28)	(40,12.67)
Net cash used in financing activities	C (391,81.93)	(294,08.63)
Net increase in cash and cash equivalents	(A + B + C) 38,18.56	275,45.73
Cash and cash equivalents as at 1st January, 2011 (opening balance)	1948,18.80	1672,73.07
Cash and cash equivalents as at 31st December, 2011 (closing balance)	1986,37.36	1948,18.80
Net increase in cash and cash equivalents	38,18.56	275,45.73
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	1986,37.53	1948,07.69
Unrealised (gain) / loss on foreign currency	(0.17)	11.11
Total cash and cash equivalents	1986,37.36	1948,18.80

2. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

This is the Cash Flow Statement referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

Schedules to the Financial Statements

1 CAPITAL

AUTHORISED

9,00,00,000 equity shares of Rs.10 each

ISSUED

8,47,07,710 equity shares of Rs.10 each, fully paid up . .

SUBSCRIBED AND PAID-UP

8,47,03,017* equity shares of Rs.10 each, fully paid up . .

Rupees in lakhs

90,00.00

84,70.77

84,70.30

Previous year
Rupees in lakhs

90,00.00

84,70.77

84,70.30

* excludes 4,693 equity shares of Rs.10 each of the Company (3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited) held in abeyance.

Of the above shares:

(i) 4,29,17,488 equity shares are held by the ultimate holding company GlaxoSmithKline plc, U.K. through its subsidiaries.

Prior to the buy back of equity shares[#]:

(ii) 1,28,47,546 equity shares were allotted as fully paid-up pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.

(iii) 1,47,00,000 equity shares were allotted as fully paid-up pursuant to the Scheme of Arrangement for Amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited with the Company.

(iv) 4,06,87,500 equity shares were allotted as fully paid-up bonus shares by capitalisation of share premium and reserves.

(v) 15,00,000 equity shares were allotted as fully paid-up pursuant to contracts without payments being received in cash.

[#] The Company bought back and extinguished 26,19,529 equity shares in 2005.

2 RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2011	Additions	Deductions	As at 31st December 2011	As at 31st December 2010
Capital Reserve	1,65.51	—	—	(b) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(c) 2,61.95	2,61.95
General Reserve	677,30.53	(a) 43,06.04	—	720,36.57	677,30.53
Profit and Loss Account - Surplus	1164,52.81	—	53,93.66	1110,59.15	1164,52.81
TOTAL	1846,10.80	43,06.04	53,93.66	1835,23.18	1846,10.80
Previous Year Total	1674,44.52	171,66.28	—	1846,10.80	

(a) Transfer from Profit and Loss Account.

(b) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(c) On account of buy back of equity shares.

Schedules to the Financial Statements — continued

3 UNSECURED LOANS

Interest free sales tax loan from SICOM Limited	..	..
TOTAL	..	

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
4,59.33	31.19	4,90.52	25.67
4,59.33	31.19	4,90.52	25.67
	4,90.52		5,16.19

4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2011	Additions	Deductions	As at 31st December 2011	As at 1st January 2011	For the Year	On Deductions	As at 31st December 2011	As at 31st December 2011	As at 31st December 2010
Freehold land	20.81	—	—	20.81	—	—	—	—	20.81	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	27,99.67	7.32	—	28,06.99	13,73.88	63.50	—	14,37.38	13,69.61	14,25.79
Leasehold buildings	36,29.05	5.72	3.62	36,31.15	16,54.32	1,17.47	1.90	17,69.89	18,61.26	19,74.73
Plant and machinery	209,61.06	21,95.49	66,41.13	165,15.42	146,46.58	14,95.01	53,36.80	108,04.79	57,10.63	63,14.48
Furniture and fittings	35,59.24	1,41.88	3,67.39	33,33.73	27,07.97	2,22.44	2,82.66	26,47.75	6,85.98	8,51.27
Vehicles	8,25.86	1,17.18	1,29.35	8,13.69	5,63.90	1,42.36	1,13.22	5,93.04	2,20.65	2,61.96
TOTAL	318,39.96	24,67.59	71,41.49	271,66.06	209,46.65	20,40.78	57,34.58	172,52.85	99,13.21	
Previous year	289,17.81	34,03.08	4,80.93	318,39.96	196,37.02	17,62.82	4,53.19	209,46.65		108,93.31
Work-in-progress at cost and advance payments against capital expenditure									25,40.84	8,72.09
TOTAL									124,54.05	117,65.40

Note:

(a) Freehold buildings include investments representing ownership of residential flats (Refer note 7 on Schedule 17).

Schedules to the Financial Statements — continued

5 INVESTMENTS

LONG TERM (at Cost)

IN GOVERNMENT SECURITIES

Quoted

7.40% Government of India Securities, 2012

Face value Rs. 25,00 lakhs	25,17.33	25,66.73
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Unquoted

National Savings Certificate	0.17	0.17
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(Lodged with Government authorities)

IN SUBSIDIARY COMPANY

Unquoted

Biddle Sawyer Limited

9,60,000 Equity Shares of Rs. 10 each fully paid	47,61.30	47,61.30
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TRADE

Unquoted

Biotech Consortium India Limited

50,000 Equity Shares of Rs. 10 each fully paid	5.00	5.00
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Dinette Exclusive Club Private Limited

500 Equity Shares of Rs. 100 each fully paid	0.50	0.50
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OTHER THAN TRADE

Quoted

Housing Development Finance Corporation Limited

100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each	10,00.00	10,00.00
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350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	34,90.90	34,90.90
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Indian Railway Finance Corporation Limited

20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	2,00.24	2,00.71
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LIC Housing Finance Limited

100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	10,00.80	10,01.05
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100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	10,00.47	10,00.88
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National Bank for Agriculture and Rural Development

100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each	10,00.00	10,00.00
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Power Finance Corporation Limited

100, 9.80% Bonds, 2012 of Rs. 10,00,000 each	10,03.52	10,07.98
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TOTAL	159,80.23	160,35.22
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Aggregate of Unquoted Investments	- At Book value	47,66.97	47,66.97
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Aggregate of Quoted Investments	- At Book value	112,13.26	112,68.25
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	- At Market value	111,88.41	112,73.18
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There are no investments purchased and sold / redeemed during the year.

Schedules to the Financial Statements — continued

Previous year
Rupees in lakhs

6 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following items:

Assets

Liability for Drugs Prices Equalisation Account	..	..	—	3,48.52
Provision for employee benefits	..	..	23,30.83	22,03.54
Costs of voluntary retirement schemes	..	..	2,53.04	9.75
Provision for doubtful debts, loans and advances	..	..	3,22.29	2,93.73
Provision for pricing of formulations			2,01.31	2,06.10
Interest on Income-tax refund not received but considered as taxable under the Income-tax Act, 1961	..	..	21,01.96	21,52.01
Expenses allowable for tax purposes when paid	..	..	15,33.09	12,99.88
TOTAL	..		67,42.52	65,13.53

Liabilities

Depreciation	..	..	3,69.34	7,73.60
Fixed assets held for sale	..	..	2,26.58	1,00.40
TOTAL	..		5,95.92	8,74.00
TOTAL	..		61,46.60	56,39.53

7 INVENTORIES

(Inventories have been valued at lower of cost and net realisable value)

Stores and spares	..	..	2,32.01	4,53.53
Raw and packing materials	..	..	57,03.66	62,30.87
Work-in-progress	..	..	54,60.15	51,76.51
Finished goods	..	..	216,18.25	162,92.84
TOTAL	..		330,14.07	281,53.75

8 SUNDRY DEBTORS

(Unsecured)

			Doubtful	Good	Doubtful	Good
Outstanding for over six months	..	..	8,54.75	87.25	7,57.45	87.89
Others	..	..	11.79	84,43.91	—	46,14.76
			8,66.54	85,31.16	7,57.45	47,02.65
Less : Provision for doubtful debts	..	..	(8,66.54)	—	(7,57.45)	—
			—	85,31.16	—	47,02.65
TOTAL	..			85,31.16		47,02.65

9 CASH AND BANK BALANCES

Cash on hand	..	..	3.72	4.41
Remittances in transit (Refer note 2(iii) on Schedule 17)	..		5.92	5.92
With scheduled banks				
Current account	..	..	51,04.77	57,27.94
Fixed deposit account	..	..	1934,05.00	1888,25.00
Call / margin money deposit	..	..	1,18.12	2,44.42
TOTAL	..		1986,37.53	1948,07.69

Schedules to the Financial Statements — continued

10 OTHER CURRENT ASSETS

	Rupees in lakhs	Previous year Rupees in lakhs
Interest accrued on investments/deposits	61,99.08	49,79.87
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower)	6,98.36	3,02.25
TOTAL	68,97.44	52,82.12

* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.

11 LOANS AND ADVANCES

	Doubtful	Good	Doubtful	Good
(Unsecured)				
Loans and advances recoverable in cash or in kind or for value to be received				
Sundry deposits	—	24,65.70	—	24,01.53
Other advances	1,26.99	63,89.93	1,26.81	72,84.75
Less : Provision for doubtful advances	(1,26.99)	—	(1,26.81)	—
	—	88,55.63	—	96,86.28
Balance with customs, excise and port trust on current accounts	—	27,98.64	—	20,62.89
Current taxation (Refer note 30 on Schedule 17)	—	108,52.56	—	—
Fringe benefits tax (Refer note 31 on Schedule 17)	—	—	—	1,37.52
	—	225,06.83	—	118,86.69
TOTAL		225,06.83		118,86.69

12 CURRENT LIABILITIES

Sundry creditors				
Micro and Small enterprises (Refer note 9 on Schedule 17)	1,25.40		1,68.12	
Others	338,37.36	339,62.76	330,23.82	331,91.94
Subsidiary company		1,16.56		1,69.94
Unpaid dividend *		13,74.40		12,59.97
TOTAL		354,53.72		346,21.85

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

13 PROVISIONS

For current taxation (Refer note 30 on Schedule 17)	—	28,62.57
For Drugs Prices Equalisation Account	247,44.05	10,49.23
For proposed equity dividend	381,16.35	338,81.20
For tax on distributed profit	63,30.65	56,27.24
For employee benefits [includes actuarial gain of Rs. 1,41.20 lakhs recognised in the year (previous year - actuarial loss of Rs.11,96.08 lakhs)]	70,39.14	66,33.67
TOTAL	762,30.19	500,53.91

Schedules to the Financial Statements — continued

14 OTHER INCOME

					Rupees in lakhs	Previous year Rupees in lakhs
Service income						
Clinical research and data management	..	..	..	..	40,96.17	40,21.79
Other services	..	..	..	..	9,05.95	10,76.03
Direct expenses relating to the above	..	..	..	..	(40,98.24)	(42,91.53)
					9,03.88	8,06.29
Export related benefits (net)	..	..	..	..	79.37	81.93
Consignment sales commission	..	..	..	..	2,33.02	2,28.56
Rent received	..	..	..	..	68.29	63.90
Profit on sale / disposal of fixed assets (net)	..	..	..	..	87.84	49.04
Manufacturing charges recovery	..	..	..	..	1,89.01	2,29.95
Provision written back as no longer required	..	..	..	..	14,60.97	7,93.24
Others (Refer note 11(a) on Schedule 17)	..	..	..	..	7,62.32	9,86.91
					37,84.70	32,39.82
Treasury income						
Dividend income from subsidiary company.	..	..	..	..	18,00.00	18,00.00
Interest income (Gross):						
On deposits with banks	..	..	..	..	131,48.69	85,43.38
On loans	..	..	..	..	21.08	20.82
On tax refunds	..	..	..	..	18.20	—
On investments - Government securities and other than trade						
- long term [net of premium write-off of Rs. 54.99 lakhs (Previous year Rs. 55.86 lakhs)]	..	..	..	..	9,61.73	11,39.07
Others	..	..	..	..	45.33	29.78
					141,95.03	97,33.05
Less : Interest expense:						
Security deposits	..	..	..	..	(28.68)	(28.48)
Others	..	..	..	..	(4.06)	(33.67)
					(32.74)	(62.15)
					141,62.29	96,70.90
TOTAL	..				197,46.99	147,10.72
Tax deducted at source :						
On interest	..	..	..	..	12,56.83	6,45.84
Others	..	..	..	..	1,06.04	4,73.74
					13,62.87	11,19.58

15 MATERIALS

Raw and packing materials consumed	..	..	..	..	431,23.54	419,82.25
Purchase of finished goods	..	..	..	..	533,36.71	377,37.13
(Increase) / decrease in work-in-progress and finished goods:						
Opening stock						
Work-in-progress	..	..	..	..	51,76.51	41,85.82
Finished goods	..	..	..	..	162,92.84	152,64.54
					214,69.35	194,50.36
Less: Closing stock						
Work-in-progress	..	..	..	..	54,60.15	51,76.51
Finished goods	..	..	..	..	216,18.25	162,92.84
					270,78.40	214,69.35
TOTAL	..				908,51.20	777,00.39

Schedules to the Financial Statements — continued

16 OPERATING AND OTHER EXPENSES

		Rupees in lakhs	Previous year Rupees in lakhs
Salaries, wages and bonus	250,20.29	216,97.46	
Contributions to : Provident and pension funds.	13,28.63	11,71.56	
Gratuity funds	4,50.97	1,39.41	
Staff welfare	10,36.42	10,76.81	240,85.24
Sales promotion	106,17.93	96,25.03	
Selling commission on exports	1.99	4.66	
Stock point commission	11,27.20	10,25.03	
Freight (net)	39,96.34	34,28.05	
Travelling	48,87.34	40,13.07	
Provision / write off for doubtful debts, loans and advances (net)	1,09.27	50.07	
Manufacturing charges	53,57.58	47,16.44	
Repairs - Buildings	2,74.10	4,12.91	
- Plant and Machinery	10,58.00	12,10.46	
- Others	13.21	22.35	16,45.72
Consumption of stores and spares	3,14.90	3,45.52	
Power, fuel and water	26,70.13	26,75.37	
Rent	10,84.55	9,85.17	
Rates and taxes	9,79.60	8,96.59	
Printing, postage and telephones	13,55.10	12,57.82	
Sales training, briefing and conference	19,97.60	19,24.36	
Excise duty	4,31.66	(2,38.86)	
Insurance	3,14.89	2,93.21	
Remuneration to auditors :			
Statutory audit fees	40.53	35.57	
In other capacity in respect of :			
Tax audit fees	6.62	6.62	
Audit of tax accounts	22.06	22.06	
Other services	27.85	23.99	
Reimbursement of expenses	1.70	1.56	
	98.76	89.80	
Cost audit fees	2.43	4.50	94.30
Date-expired stocks	25,90.03	21,88.95	
Commission to non whole-time Directors	42.78	39.45	
Directors' sitting fees	13.40	13.20	
Miscellaneous (Refer note 11(b) on Schedule 17)	53,47.70	48,51.58	
Reimbursement of expenses (net) (Refer note 13 on Schedule 17)	74.07	56.72	
Expenses relating to service income (Refer Schedule 14)	(40,98.24)	(42,91.53)	
TOTAL	684,98.63	596,85.16	

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

(b) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

Depreciation is provided on the straight-line method over the useful life of the assets as under:

Buildings	29 years
Plant and Machinery other than Gas Installations	10 years
Gas Installations	6 years
Personal Computers and Laptops	3 years
Other Computer Equipment	4 years
Furniture and Fittings	10 years
Vehicles	4 years

Depreciation on capital projects of Rs.100 lakhs or more is provided pro-rata for the number of months availability for use and for other assets for the full year. Depreciation on sale / disposal of assets is provided pro-rata up to the end of the month of sale / disposal.

An asset purchased on or after 1st April, 1993 and where the actual cost does not exceed Rs. 5,000 (other than on turnkey contracts) is depreciated at the rate of 100%.

Leasehold land is not amortised.

Leasehold improvements are amortised over the period of the lease.

Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value / salvage value.

(c) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current investments are stated at lower of cost and fair value. The premium on account of investments in debentures / bonds and Government of India Securities held as long-term investments is recognised over the life of the security.

(d) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on first-in first-out (FIFO) basis. The cost of work-in-progress (other than those lying at third party manufacturing sites which is valued at material cost) and finished goods comprises of raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(e) Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts and sales tax.

(f) Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account. Premium in respect of forward contracts is accounted over the period of the contract.

(g) Proposed Dividend

Dividend proposed by the Board of Directors is provided for in the books of account pending approval at the Annual General Meeting.

(h) Research and Development

Revenue expenditure on research and development is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of Central Value Added Tax (CENVAT) credits in respect of materials consumed for sales is deducted from cost of materials consumed.

(j) Long-term Incentive

In terms of a long-term incentive plan, the eligible members of the senior management are entitled to receive an incentive payment at the end of a three year 'restricted period', provided they remain in continuous employment with the Company for the aforesaid period. The value of such incentive is based on the price of shares of GlaxoSmithKline plc, U.K. An amount equal to one-third of the aggregate approximate value of the incentive is recognised as expense each year based on the fair value of such shares.

(k) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(l) Employee Benefits

(a) Long-term Employee Benefits

In case of Defined Contribution plans, the Company's contributions to these plans are charged to the Profit and Loss Account as incurred. Liability for Defined Benefit plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used for measuring the liability for Gratuity and Post Retirement Medical is Projected Unit Credit method. The obligations for Gratuity and Post Retirement Medical are measured as the present value of estimated future cashflows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date. The actuarial valuation method, carried out by an independent actuary, used for measuring the liability for Provident Fund is Projected Accrued Benefit method. This approach determines the present value of the interest rate guarantee under three interest rate scenarios: base case scenario, rising interest rate scenario and falling interest rate scenario. The Defined Benefit Obligation of the interest rate guarantee is set equal to the average of the present values determined under these scenarios in respect of accumulated provident fund contributions as at the valuation date. The liability for leave encashment and compensated absences is provided on the basis of valuation, as at Balance Sheet date, carried out by an independent actuary.

(b) The expenditure on voluntary retirement schemes is charged to the Profit and Loss Account in the year in which it is incurred.

(c) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Profit and Loss Account in the year in which they arise.

- 1 The demand of Rs. 71,79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgement and Order dated 30th March 2011, upheld the demand. The Company had accrued a liability of Rs. 18,68 lakhs in earlier years and a further provision of Rs. 53,11 lakhs (net of tax Rs. 24,45 lakhs) has been disclosed under Exceptional Items (Refer note 14).

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63,60 lakhs, which together with the amount of Rs. 8,19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71,79 lakhs made by the Government in November 1990.

In October 1996, the Government had claimed interest of Rs. 117,66 lakhs for the period 12th May 1981 to 17th October 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October 2011, raised a demand on the Company for the interest amount amounting to Rs. 247,44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247,44 lakhs (net of tax Rs. 161,01 lakhs) in respect of the Government's claim for interest disclosed under Exceptional Items (Refer note 14). The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition before the Supreme Court for stay of the interest demand until final determination of the Writ Petition filed in the Delhi High Court.

- 2 Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):

(i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983.

Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of remuneration to the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.
- (iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.

3 Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:

- (i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Sundry Creditors and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under Loans and Advances. The Company is contesting the matter with the concerned authorities.
- (ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

						Rupees in lakhs	Previous year Rupees in lakhs
4	Contingent Liabilities not provided for:						
	(i)	Cheques discounted with banks	..	..	..	4,53.83	2,20.69
	(ii)	In respect of claims made against the Company not acknowledged as debts by the Company					
	-	Sales tax matters	..	..	..	28,52.96	25,99.21
	-	Excise matters	..	..	..	4,38.97	4,38.97
	-	Service tax matters	..	..	..	1,29.20	1,29.20
	-	Labour matters	..	..	..	51,17.25	41,65.07
	-	Other legal matters	..	..	..	10,63.57	10,63.57
		which net of current tax amount to -	..	..	..	64,12.42	56,07.07
	(iii)	Taxation matters in respect of which appeals are pending					
	-	Tax on matters in dispute	..	..	..	176,76.44	124,59.24
	-	Other consequential matters (net of tax)	..	..	..	—	3,74.39

Notes:

Future cash outflows in respect of (i) above are dependent on the return of cheques by banks.

Future cash outflows in respect of (ii) and (iii) above are determinable on receipt of decisions / judgements pending with various forums / authorities.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous year Rupees in lakhs
5	Uncalled liability on partly paid shares:		
-	in Hill Properties Limited	0.12	0.12
	Note:		
	Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
6	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	35,06.97	4,60.77
7	Fixed Assets include the following investments representing ownership of residential flats :		
-	5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
-	10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.	2.00	2.00
-	10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited.	48.13	48.13
-	5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.	23.62	23.62
-	10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.	33.31	33.31
-	20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited.	45.59	45.59
-	5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.	67.00	67.00
-	20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.	19.32	19.32
8	(a) Directors' Remuneration		
	Salaries	6,53.47	4,95.16
	Payments under the long-term incentive plan	54.05	59.07
	Perquisites	9.86	8.06
	Contribution to provident and superannuation funds	83.11	70.30
	Commission to non whole-time Directors	42.78	39.45
	Directors' sitting fees	13.40	13.20
		<u>8,56.67</u>	<u>6,85.24</u>
	- excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.		
	- subject to approval of members in General Meeting - Rs. 34.29 lakhs (Previous year - Nil).		
	Pension to past Directors	5.23	5.23

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs	Previous year Rupees in lakhs
(b) Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956:		
Net Profit	430,60.42	563,68.81
<u>Add / (Deduct) :</u>		
Directors' remuneration	8,56.67	6,85.24
Depreciation as per the Profit and Loss Account	20,40.78	17,62.82
Depreciation under Section 350 of the Companies Act, 1956	(15,73.15)	(14,14.97)
Provision / write off for doubtful debts, loans and advances (net)	1,09.27	50.07
Bad debts written off against provision for doubtful debts, loans and advances	—	(71.75)
Profit on sale / disposal of fixed assets (net)	(87.84)	(49.04)
Profit on sale / redemption of investments	—	(1.81)
Exceptional items:		
- Estimated loss/write-off of fixed assets	7,87.15	—
- Costs of voluntary retirement scheme	9,12.62	—
Taxation for the year (including on exceptional items)	168,45.22	277,07.72
Net Profit	<u>629,51.14</u>	<u>850,37.09</u>
Maximum remuneration permissible under the Companies Act, 1956 at 10%	62,95.11	85,03.71
Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1%	6,29.51	8,50.37
Commission payable for the year restricted to	<u>42.78</u>	<u>39.45</u>
9 Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:		
(a) The principal amount and the interest due thereon remaining unpaid to suppliers		
(i) Principal	—	—
(ii) Interest due thereon	1.14	—
	<u>1.14</u>	<u>—</u>
(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year	2,21.07	—
(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	—	—
(c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms	—	—
(ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms	—	—
(d) (i) Total Interest accrued during the year	1.14	—
(ii) Total Interest accrued during the year and remaining unpaid	1.14	—
(e) Included in (d) above is Nil being interest on amounts outstanding as at the beginning of the accounting year		

The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- 10 The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2011 and the provision based on the figures for the remaining nine months up to 31st December, 2011, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2011 to 31st March, 2012.
- 11 (a) Other income in Schedule 14 in the previous year, includes profit on sale / redemption of long term investments Rs. 1.81 lakhs and exchange (net) Rs. 1,42.60 lakhs.
(b) Miscellaneous expenses in Schedule 16 in the current year include exchange loss (net) Rs. 6,05.80 lakhs.
- 12 The recurring expenditure on research and development charged off to revenue amounts to Rs. 3,82.79 lakhs (Previous year - Rs. 4,43.39 lakhs).
- 13 “Reimbursement of expenses (net)” in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,00.37 lakhs (Previous year - Rs. 2,63.35 lakhs), from subsidiary company Rs. 5,31.59 lakhs (Previous year - Rs. 4,88.05 lakhs), from Stiefel India Private Limited Rs. 14.50 lakhs (Previous year - Rs. 13.85 lakhs), from GlaxoSmithKline Pte Limited Rs. 59.86 lakhs (Previous year - Rs. 59.41 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Nil (Previous year - Rs. 14.51 lakhs), from GlaxoSmithKline Service Unlimited Rs. 23.95 lakhs (Previous year - Nil) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 10,04.34 lakhs (Previous year - Rs. 8,95.89 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

		Rupees in lakhs	Previous year Rupees in lakhs
14	Exceptional items :		
	(i) Expenses on rationalisation initiatives mainly relating to a manufacturing site		
	- Voluntary retirement scheme	(9,12.62)	—
	- Others	(14,27.90)	(2,20.47)
	(ii) Provisions for Government's demand in respect of Betamethasone bulk drugs and formulations	(300,54.82)	—
	(iii) Actuarial gain/(loss) on employee benefits.	1,41.20	(11,96.08)
	(iv) Provision made on account of revised gratuity limits	—	(12,33.52)
	Taxation on the above		
	Current tax for the year and for earlier years (net).	119,97.47	73.66
	Deferred tax for the year and for earlier years (net).	1,81.10	8,07.05
		<u>(200,75.57)</u>	<u>(17,69.36)</u>

15 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2011	2010
Chemicals (including Bulk Drugs)	Tonnes	184	184
Formulations			
Liquids - Orals, Topicals and Parenterals	Kilo litres	8,400	8,400
Antibiotic Vials	Thousands	5,000	5,000
Tablets and Capsules	Million	7,650	7,150
Solids including Powders and Ointments	Tonnes	2,600	2,600

- (a) Installed capacities of the formulation factories of the Company (based on a five day week except where continuous processes are involved and on a single shift basis) are as certified by the Management.
- (b) Licensed capacity is not indicated as industrial licensing for all bulk drugs, intermediates and their formulations stands abolished in terms of Press Note No. 4 (1994 Series) dated 25th October, 1994 issued by the Department of Industrial Development, Ministry of Industry, Government of India.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Detailed information in respect of opening and closing stocks, production, purchases and sales in respect of each class of goods produced and traded:

Class of Goods	Unit	Stocks at Commencement		Production	Purchases		Sales		Stocks at Close	
		Quantity	Rupees in Lakhs	Quantity	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs	Quantity	Rupees in Lakhs
Chemicals (including Bulk Drugs)	Tonnes	2 (4)	12,88.43 (6,90.71)	1 (8)	33 (26)	1,62.56 (1,41.85)	34 (36)	27,53.57 (53,39.86)	2 (2)	7.65 (12,88.43)
<u>Formulations (including Vitamin Feed Supplements)</u>										
Liquids- Orals, Topicals and Parenterals	Kilo litres	1302 (1179)	28,57.13 (28,67.15)	7407 (6721)	794 (1420)	45,22.96 (36,88.18)	8343 (8003)	372,99.00 (350,91.04)	1143 (1302)	36,78.62 (28,57.13)
Antibiotic Vials	Thousands	1952 (1555)	15,59.15 (9,55.12)	520 (3069)	10377 (7973)	70,45.50 (52,32.52)	10363 (10637)	151,80.38 (148,49.13)	2469 (1952)	21,67.18 (15,59.15)
Tablets and Capsules	Million	1021 (1269)	44,50.03 (56,42.56)	10541 (9344)	574 (626)	138,63.22 (116,67.86)	10716 (10211)	1053,54.39 (962,64.89)	1400 (1021)	67,42.54 (44,50.03)
Solids including Powders and Ointments	Tonnes	560 (381)	32,03.92 (22,17.13)	3265 (3135)	966 (987)	61,55.86 (47,09.35)	4210 (3926)	504,12.29 (453,93.30)	571 (560)	35,02.16 (32,03.92)
Vaccines	Thousands	808 (888)	22,23.12 (23,47.31)	— (—)	4131 (2459)	160,18.91 (88,61.96)	3750 (2478)	241,18.97 (152,41.13)	956 (808)	44,34.55 (22,23.12)
Aerosol Cans	Thousands	297 (472)	4,51.92 (5,44.56)	154 (235)	2072 (907)	24,04.03 (12,19.20)	1857 (1288)	31,94.28 (27,84.66)	633 (297)	8,81.19 (4,51.92)
Cosmetics	Kilo litres	9 (—)	50.82 (—)	— (—)	20 (19)	6,19.91 (1,29.64)	21 (10)	5,00.55 (1,65.01)	8 (9)	121.74 (50.82)
Soaps	Tonnes	55 (—)	2,08.32 (—)	— (—)	20 (104)	1,12.58 (3,75.91)	50 (49)	3,59.96 (3,79.18)	23 (55)	82.62 (2,08.32)
Purchase of physician samples			— (—)		— (—)	24,31.18 (17,10.66)		— (—)		— (—)
TOTAL			162,92.84 (152,64.54)			533,36.71 (377,37.13)		2391,73.39 (2155,08.20)		216,18.25 (162,92.84)

Notes:

- Figures in brackets are in respect of the previous year.
- The closing stock quantities stated above are after adjustments for in-transit breakages / damages and date expired stocks. Closing stock quantities, if derived from opening stocks, production, purchases and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.
- Sales quantities include free issues.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous year Rupees in lakhs
17	Break-up of raw and packing materials consumed		
	Raw materials	312,37.97	305,05.63
	Packing materials	118,85.57	114,76.62
	Note : No single raw or packing material accounts for more than 10% of total consumption		
		<u>431,23.54</u>	<u>419,82.25</u>
18	Consumption of raw and packing materials		
		%	%
	Purchased indigenously	78.44 338,24.17	71.84 301,60.19
	Imported by the Company (including duty and other charges) ..	21.56 92,99.37	28.16 118,22.06
		<u>100.00 431,23.54</u>	<u>100.00 419,82.25</u>
19	C.I.F. value of imports in respect of:		
	Raw and packing materials	70,61.09	103,64.59
	Finished Goods	108,87.38	77,54.45
	Components and spare parts for machinery	15.21	12.26
	Capital goods	7,64.71	93.03
		<u>187,28.39</u>	<u>182,24.33</u>
20	Remittance in foreign currency on account of dividend ..	2010	2009
	On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. ..	121,94.10	91,45.58
	On 58,80,000 equity shares to Eskaylab Limited, U.K. ..	23,52.00	17,64.00
	On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K.	13,44.00	10,08.00
	On 31,92,238 equity shares to Castleton Investment Limited, Mauritius	12,76.90	9,57.67
21	Expenditure in foreign currency on account of : (on payment basis)		
	- Travelling	1,01.40	72.82
	- Selling commission on exports	—	2.06
	- Royalty	6.07	—
	- Others	3,06.96	2,62.46
		<u>4,14.43</u>	<u>3,37.34</u>
22	Earnings in foreign exchange on account of :		
	F.O.B. value of exports including through merchant exporters ..	36,50.64	63,13.09
	Recovery of expenses	32.30	36.37
	Clinical research and data management	40,96.17	40,21.79
	Research and development	66.25	2,80.39
	Others	1,41.87	1,47.20
		<u>79,87.23</u>	<u>107,98.84</u>

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Employee Benefits

The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are as given below :

1 Brief description of the Plans

The Company has various schemes for long-term benefits such as provident fund, superannuation, gratuity and post retirement medical. In case of funded schemes, the funds are recognised by the Income tax authorities and administered through trustees /appropriate authorities. The Company's defined contribution plans are superannuation and employees' pension scheme (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions. The liability of the Company on the exempt Provident Fund managed by the trustees is restricted to the interest shortfall if any. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy.

The Company's defined benefit plans include gratuity and post retirement medical.

		Rupees in lakhs	Previous year Rupees in lakhs
2	<u>Charge to the Profit and Loss Account based on contributions:</u>		
	Superannuation	4,17.99	3,95.54
	Employees' pension scheme	2,97.59	2,61.35
	Provident fund	6,13.05	5,14.67
		<u>13,28.63</u>	<u>11,71.56</u>

3 The Guidance Note on Implementing AS 15, 'Employee Benefits' issued by the Accounting Standard Board (ASB) of the Institute of Chartered Accountants of India states that Provident Funds set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by the employer would be defined benefit plans in accordance with the requirements of paragraph 26(b) of AS 15. Pursuant to the Guidance Note, the liability in respect of the shortfall of interest earnings of Fund is Nil determined on the basis of an actuarial valuation carried out as at December 31, 2011. As per the actuarial valuation report, the interest shortfall liability being "Other Long Term Employee Benefits", detailed disclosures are not required.

4 The liability for leave encashment and compensated absences as at year end is Rs. 24,63.29 lakhs (Previous year - Rs. 23,82.44 lakhs).

5 Disclosures for defined benefit plans as on 31st December 2011 :

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>				
Opening defined benefit obligation	46,72.26	28,06.34	28,05.36	22,13.01
Current service cost	2,96.75	35.63	1,21.25	31.69
Interest cost	3,89.87	2,19.32	2,29.96	1,74.55
Actuarial loss / (gain)	(48.83)	96.27	5,77.67	5,36.88
Liabilities assumed on acquisition/ (settled on divestiture)	(8.16)	—	—	—
Past Service Cost	—	—	1,233.52	—
Benefits paid	(5,71.47)	(1,70.67)	(2,95.50)	(1,49.79)
Closing defined benefit obligation	<u>47,30.42</u>	<u>29,86.89</u>	<u>46,72.26</u>	<u>28,06.34</u>
(ii) <u>Change in Fair Value of Assets</u>				
Opening fair value of plan assets	32,27.37		29,45.50	
Expected return on plan assets	2,35.65		2,11.75	
Actuarial gain / (loss)	49.91		1,75.62	
Contributions by employer	2,00.00		1,90.00	
Benefits paid	(5,71.47)		(2,95.50)	
Closing fair value of plan assets	<u>31,41.46</u>		<u>32,27.37</u>	

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs		Previous Year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>				
Present value of obligations as at year end	47,30.42	29,86.89	46,72.26	28,06.34
Fair value of plan assets as at year end	31,41.46		32,27.37	
Net (asset) / liability recognised as at year end	<u>15,88.96</u>	<u>29,86.89</u>	<u>14,44.89</u>	<u>28,06.34</u>
(iv) <u>Expenses recognised in the Profit and Loss Account</u>				
Current service cost	2,96.75	35.63	1,21.25	31.69
Interest on defined benefit obligation	3,89.87	2,19.32	2,29.96	1,74.55
Expected return on plan assets	(2,35.65)		(2,11.75)	
Net actuarial loss / (gain) recognised in the current year	(98.74)	96.27	4,02.05	5,36.88
Past Service Cost	—	—	12,33.52	—
Effect of the limit in Para 59(b) of the revised AS 15	—		(0.05)	
Total expense	<u>3,52.23</u>	<u>3,51.22</u>	<u>17,74.98</u>	<u>7,43.12</u>
(v) <u>Asset information</u>				
Government of India Securities	39%		39%	
Corporate Bonds	28%		29%	
Special Deposit Scheme	23%		22%	
Others	10%		10%	
(vi) <u>Principal actuarial assumptions used</u>				
Discount rate (p.a.)	8.65%	8.65%	8.15%	8.15%
Expected rate of return on plan assets (p.a.)	7.50%		7.50%	
Annual increase in health care premiums (p.a.)		5%		5%
(vii) <u>Effect of change in Assumed Health Care Cost Trend rate</u>				
<u>1% increase</u>				
Effect on the aggregate of service cost and interest cost		33.05		30.87
Effect on defined benefit obligation		3,11.21		2,98.93
<u>1% decrease</u>				
Effect on the aggregate of service cost and interest cost		(26.54)		(25.83)
Effect on defined benefit obligation		(2,53.92)		(2,51.34)
(viii) Expected employer's contribution for the next year	7,00.00	2,12.06	2,00.00	1,89.06

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

Rupees in lakhs

(ix) Net asset/liability recognised in the Balance Sheet
(including experience adjustment impact)

Gratuity

Defined benefit obligation

Plan assets

Deficit / (Surplus)

Experience adjustments on plan liabilities

Experience adjustments on plan assets

Post retirement medical and other benefits

Defined benefit obligation

Plan assets

Deficit / (Surplus)

Experience adjustments on plan liabilities

Experience adjustments on plan assets

	2011	2010	2009	2008	2007
Defined benefit obligation	47,30.42	46,72.26	28,05.36	32,94.62	25,38.38
Plan assets	31,41.46	32,27.37	29,45.50	26,13.10	28,54.40
Deficit / (Surplus)	15,88.96	14,44.89	(1,40.14)	6,81.52	(3,16.02)
Experience adjustments on plan liabilities	1,87.34	1,58.29	2,19.12	1,99.47	58.90
Experience adjustments on plan assets	49.91	1,75.62	3,25.63	(16.85)	(1,17.80)
Defined benefit obligation	29,86.89	28,06.34	22,13.01	30,13.60	20,33.94
Plan assets	—	—	—	—	—
Deficit / (Surplus)	29,86.89	28,06.34	22,13.01	30,13.60	20,33.94
Experience adjustments on plan liabilities	2,72.60	5,20.13	(77.38)	74.05	(1,53.14)
Experience adjustments on plan assets	—	—	—	—	—

24 The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

25 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

1 Relationships (during the year):

(i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders *

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

(ii) Subsidiary of the Company

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

(iii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

Laboratoire GlaxoSmithKline S.A.S., France

GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia

GlaxoSmithKline Export Limited, U.K.

SmithKline Beecham Pharmaceuticals R & D, U.S.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline LLC, U.S.A

GlaxoSmithKline Limited, Kenya

Stiefel India Private Limited, India

Glaxo Wellcome Ceylon Ltd., Sri Lanka

US Pharmaceuticals, U.S.A.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

(iv) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.N. Roy (w.e.f 4th November, 2011)	Mr. R. Bartaria
Mr. C.T. Renganathan	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. D. Sundaram	Mr. R. Krishnaswamy (w.e.f 16th March, 2011)
Dr. H.B. Joshipura	Mr. S. Harford *
Mr. H. Buch	Dr. S. Joglekar
Mr. K. Hazari (w.e.f 1st August, 2011)	Mr. Sunder Rajan
Mr. M.B. Kapadia	Mr. S. Khanna
Mr. M.K. Vasanth Kumar (up to 1st August, 2011)	Mrs. S. Patel (up to 23rd May, 2011)
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bhide	Mr. V. Thyagarajan

* no transactions during the year

2 The following transactions were carried out with the related parties in the ordinary course of business.

(i) Dividend paid to parties referred to in item 1(i) above

Rupees in lakhs

	2011	2010
Glaxo Group Limited, U.K.	121,94.10	91,45.58
Eskaylab Limited, U.K.	23,52.00	17,64.00
Burroughs Wellcome International Limited, U.K.	13,44.00	10,08.00
Castleton Investment Limited, Mauritius	12,76.90	9,57.67

(ii) Details relating to parties referred to in items 1(ii) and 1(iii) above:

Rupees in lakhs

	Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
	2011	2010	2011	2010
1 Purchase of materials/finished goods	—	—	260,95.18	164,81.24
2 Sale of materials/finished goods	—	—	27,99.65	52,54.39
3 Sale of fixed assets	—	—	74.91	—
4 Expenses recharged to other companies	4,90.51	4,59.07	11,72.15	11,08.68
5 Research and development recoveries	—	—	66.25	2,80.39
6 Expenses recharged by other companies	—	—	13,77.74	13,53.93
7 Manufacturing charges recovered	52.00	37.02	1,37.01	1,92.93
8 Consignment sales commission received	1,41.30	1,37.31	48.94	51.26
9 Clinical research and data management recoveries	—	—	40,96.17	40,21.79
10 Central Value Added Tax credits availed on behalf of a related party (net)	—	—	4,58.70	—
11 Employee benefits transferred to a related party	—	—	85.46	—
12 Dividend received	18,00.00	18,00.00	—	—
13 Outstanding (payables)/receivables at the year end (net) #	(1,16.56)	(1,69.94)	(58,41.35)	(9,93.99)

#Transactions with the above parties are accounted in the respective current accounts.

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

(iii) Disclosure in respect of material transactions with parties referred to in item 1(iii) above:

	Rupees in lakhs 2011	Rupees in lakhs 2010
(a) Purchase of materials/finished goods		
GlaxoSmithKline Asia Private Limited, India	129,79.44	54,02.81
GlaxoSmithKline Export Limited, U.K.	98,61.95	87,33.51
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	2,83.98	5,11.72
SmithKline Beecham Private Limited, Sri Lanka	3,21.92	1,58.06
GlaxoSmithKline Trading Services Limited, Ireland	21,92.40	45,58.48
(c) Sale of fixed assets		
GlaxoSmithKline Services Unlimited, U.K.	74.91	—
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	10,15.78	9,61.48
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	66.25	2,80.39
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	11,07.78	9,88.17
(g) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India	1,37.01	192.93
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	48.94	51.26
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	19,36.41	15,78.23
GlaxoSmithKline Services Unlimited, U.K.	21,59.76	24,43.56
(j) Central Value Added Tax credits availed on behalf of a related party (net)		
GlaxoSmithKline Asia Private Limited, India	4,58.70	—
(k) Employee benefits transferred to a related party		
GlaxoSmithKline Asia Private Limited, India	85.46	—
(l) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(16,98.94)	(12,91.09)
GlaxoSmithKline Consumer Healthcare Limited, India	8,97.34	6,58.32
GlaxoSmithKline Biologicals S.A., Belgium	(1,561.33)	26.40
GlaxoSmithKline Export Limited, U.K.	(37,70.22)	(17,97.29)
GlaxoSmithKline Trading Services Limited, Ireland	25.78	4,12.60
GlaxoSmithKline Services Unlimited, U.K.	3,21.39	8,89.38
GlaxoSmithKline Pakistan Limited, Pakistan	—	36.40
SmithKline Beecham Private Limited, Sri Lanka	—	1,11.15

(iv) Details relating to persons referred to in item 1(iv) above:

	Rupees in lakhs 2011	Rupees in lakhs 2010
1 Remuneration/commission/sitting fees	13,35.37	10,13.01
2 Payments under the long-term incentive plan	91.00	96.42
3 Interest income on loans given	0.93	1.68
4 Rent for residential flat	1.14	0.79
5 Outstanding loans receivable	17.51	40.16

(v) Disclosure in respect of material transactions with persons referred to in item 1(iv) above:

	Rupees in lakhs 2011	Rupees in lakhs 2010
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	3,13.06	2,55.67
Mr. M.B. Kapadia	1,92.43	1,54.17
(b) Payments under the long-term incentive plan		
Dr. H.B. Joshipura	20.37	23.78
Mr. M.B. Kapadia	14.15	15.12
Dr. A. Banerjee	11.47	11.62

Schedules to the Financial Statements — continued

17 NOTES TO THE FINANCIAL STATEMENTS (continued)

	Rupees in lakhs 2011	Rupees in lakhs 2010
(c) Interest income on loans given		
Dr. A. Banerjee	—	0.24
Mr. H. Buch	0.23	0.24
Mr. M.K. Vasanth Kumar	0.31	0.52
Mr. R. Bartaria	0.19	0.19
Mr. S. Khanna	0.17	0.22
(d) Rent for residential flat		
Dr. A. Banerjee	1.14	0.79
(e) Outstanding loans receivable		
Mr. H. Buch	7.73	7.86
Mr. R. Bartaria	6.17	6.26
Mr. S. Khanna	3.61	4.77

26 The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows :

	Rupees in lakhs							
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	Australian Dollar	UAE Dirham	Swiss Franc
Receivables	1.64 (2,03.91)	10,03.56 (12,84.55)	4,28.85 (1,16.24)	— (2.00)	1.52 (0.31)	— —	0.18 —	29.33 —
Payables	14,56.95 (9,04.21)	47,48.71 (15,76.95)	42.40 (55.85)	2.49 (1.98)	— —	29.32 (26.96)	— —	— —

(Figures in brackets pertain to the year 2010)

27 Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:

(i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.

(ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 16.

28 Amount recognised as expense for the year under the long-term incentive plan is Rs. 3,33.16 lakhs (Previous year - Rs. 1,29.14 lakhs). The total carrying amount of the corresponding liability at the year end is Rs. 4,70.51 lakhs (Previous year - Rs. 3,06.43 lakhs).

29 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

			Previous year
Profit after taxation and before exceptional items	Rupees in lakhs	631,35.99	581,38.17
Profit after taxation	Rupees in lakhs	430,60.42	563,68.81
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	74.54	68.64
Earnings per share (Basic and Diluted)	Rs.	50.84	66.55
Face value per share	Rs.	10	10

Schedules to the Financial Statements — *continued*

17 NOTES TO THE FINANCIAL STATEMENTS *(continued)*

- 30 Current taxation represents payments in excess of provisions of Rs. 2452,83.36 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation. (Previous year - Provision for taxation represents provisions in excess of payments of Rs. 2243,53.05 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation).
- 31 In the previous year fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs.
- 32 Previous year's figures have been regrouped wherever necessary.

Signatures to the Schedules 1 to 17 which form an integral part of the Financial Statements.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

0 1 1 5 1

Balance Sheet Date

3 1 1 2 1 1

State Code

1 1

II. Capital raised during the year (Amount rupees in thousands)

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount rupees in thousands)

Total Liabilities (including shareholders' funds)

3 0 4 7 6 3 8 3

Sources of Funds

Paid-Up Capital

8 4 7 0 3 0

Secured Loans

N I L

Application of Funds

Net Fixed Assets

1 2 4 5 4 0 5

Net Current Assets*

1 6 4 0 4 9 7 2

Accumulated Losses

N I L

*including net deferred tax asset

Total Assets

3 0 4 7 6 3 8 3

Reserves and Surplus

1 8 3 5 2 3 1 8

Unsecured Loans

4 9 0 5 2

Investments

1 5 9 8 0 2 3

Miscellaneous Expenditure

N I L

IV. Performance of Company (Amount rupees in thousands)

Turnover (Sales and Other Income)

2 5 3 5 5 0 3 9

Profit before tax and exceptional items

9 2 1 5 9 7 8

Earning Per Share in Rs.
before exceptional items

7 4 . 5 4

Total Expenditure

1 6 1 3 9 0 6 1

Profit after tax before exceptional items

6 3 1 3 5 9 9

Profit after tax after exceptional items

4 3 0 6 0 4 2

Earning Per Share in Rs.
after exceptional items

5 0 . 8 4

Dividend Rate

4 5 0 %

Balance Sheet Abstract and Company's General Business Profile (*continued*)

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	3	0	0	4	1	0	.	0	0						
Product Description	P	O	T	A	S	S	I	U	M						
	C	L	A	V	U	L	A	N	A	T	E	W	I	T	H
	A	M	O	X	Y	C	I	L	L	I	N				

Item Code No. (ITC Code)	3	0	0	4	3	9	.	0	8				
Product Description	B	E	T	A	M	E	T	H	A	S	O	N	E

Item Code No. (ITC Code)	3	0	0	4	9	0	.	3	3				
Product Description	R	A	N	I	T	I	D	I	N	E			

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Mumbai, 16th February, 2012

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.
Biddle Sawyer Limited	31.12.2011	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 15,98,33	Rs. lakhs —	Rs. lakhs 105,02.90	Rs. lakhs —

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Mumbai, 16th February, 2012

Biddle Sawyer Limited

Directors' Report to the Members

Your Directors are pleased to present the 66th Annual Report and the audited accounts of the Company for the year ended 31st December 2011.

Financial Results

	Year ended 31 st December 2011	Year ended 31 st December 2010
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	44,10.50	42,65.52
Profit before tax	23,73.40	22,34.96
Provision for Tax	7,73.00	7,46.76
Deferred Tax charge/ (credit)	2.07	(0.15)
Net profit after tax	15,98.33	14,88.35
Add: Balance brought forward	60,07.24	67,73.64
Balance carried forward	53,46.78	60,07.24

Dividend

In view of the Interim Dividend of Rs. 187.50 per share declared during the year, the Directors do not recommend a final Dividend for the year.

Operations

The Net Sales for the year ended 31st December 2011 were Rs. 40.44 crores as compared to Rs. 39.41 crores for the previous year. The Profit before Tax was Rs. 23.73 crores as compared to Rs. 22.35 crores for the previous year.

Directors

Dr. A. Banerjee resigned from the Board effective 1st August 2011. The Board places on record its appreciation for the services rendered and contribution made by Dr. A. Banerjee and wishes him well in his future endeavours.

Mr. R. Krishnaswamy has been appointed as a Director in the casual vacancy caused by the resignation of Dr. A. Banerjee.

Mr. R. C. Sequeira retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Directors' Responsibility Statement

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the 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 financial year ended 31st December 2011 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

Information Pursuant to Section 217 of the Companies Act, 1956

There are no employees covered within the purview of the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956, as amended by Companies (Particulars of Employees) Rules, 1975.

Additional information on Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed.

Appointment of Auditors

Members are requested to re- appoint Cornelius and Davar, Chartered Accountants, as the Auditors of the Company for the ensuing year and fix their remuneration.

Appreciation

The Directors place on record their appreciation of the co-operation received from the Company's suppliers and trade associates during the year.

For and on behalf of the Board

Mumbai,
Dated: 16th February 2012

Dr. H. B. Joshipura
Chairman

Annexure to Directors' Report

A. CONSERVATION OF ENERGY:

- Energy Conservation Measures taken : Nil
- Additional proposal or activities, if any : Nil
- Impact of measures taken : Nil
- Total energy consumption and energy Conservation per unit of production : As per Form A annexed hereto.

B. TECHNOLOGY ABSORPTION:

- Efforts made in technology absorption : As per Form B annexed hereto.

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO CONSUMPTION OF ENERGY

I. Power and Fuel Consumption:

	Year ended 31 st December 2011	Year ended 31 st December 2010
1. Electricity:		
a) Purchased	Nil	Nil
Units	Kwh	
Total Amount	Rs.	
Rate/Unit	Rs.	
b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil & LSHS	Nil	Nil
4. Others	Nil	Nil

II. Consumption per Unit of Production Standard:

Electricity (Units):

There is no specific standard as the consumption per unit depends on product mix of formulations (capsules, liquids, tablets etc.)

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO TECHNOLOGY ABSORPTION

- Specific Areas in which R&D is carried out by the Company : Nil
- Benefits derived as a result of the above R&D : Nil
- Future plan of action : Nil
- Expenditure on R&D

31st December 2011

Rs. in lakhs

1) Capital	Nil
2) Recurring	Nil
3) Total	Nil
4) Total R&D expenditure as percentage of total turnover	Nil

Technology absorption, adaption and innovation

- Efforts in brief made towards technology absorption, adaption and innovation:
Adaptive development of products and processes with the objective of cost reduction.
- Benefits derived as a result of above efforts:
Product improvement and cost reduction which are reflected in the quality and stability of products.
- In case of imported technology (imported during the last 5 years)
 - Technology Imported – NA
 - Year of Import – NA
 - Has technology been fully absorbed – NA
 - If not fully absorbed, areas where this has not taken place, reasons therefor, and future plan of action – NA

C. FOREIGN EXCHANGE EARNING AND OUTGO

- Activities relating to exports : Initiative taken to explore the exports markets.
- Total Foreign Exchange earned and used:

31st December 2011

Rs. in lakhs

1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo – CIF Value of imports	7,13.18
3) Travelling & Subscription	Nil

Auditors' Report

To Members of Biddle Sawyer Limited

- (1) We have audited the attached Balance Sheet of **BIDDLE SAWYER LIMITED** as at **31st December, 2011**, and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto both of which, we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibilities are to express opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of The Companies Act, 1956, of India (the Act) and on the basis of such checks as we considered appropriate and according to the confirmation and explanation given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in paragraph 3, we report that:
- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion, proper books of account as required by law have been kept by the Company, in so far as appears from our examination of the books of the Company.
 - The Balance Sheet and Profit and Loss Account and Cash Flow statement referred to in this report are in agreement with the books of accounts.
 - In our opinion, the Balance Sheet and the Profit and Loss Account and Cash Flow statement, comply with the mandatory accounting standards referred to in Section 211(3C) of the Act.
 - On the basis of our review of the confirmation received from the companies in which the Directors of the Company serve as Director and the information and explanations given to us, none of the Directors of the Company prima facie are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Act.
 - Subject to the above, in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011,
 - in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

(RUSTOM D. DAVAR)
Partner
Membership No.: F. 10620

Place: Mumbai
Date: 16th February, 2012

Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - The fixed assets have been physically verified by the management and no material discrepancies have been noticed on such verification.
 - In our opinion, the Company has not disposed of a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- As explained to us, the inventory has been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
 - In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- The Company has not taken or granted any loans, secured or unsecured from/to companies, firms, or other parties covered in the register maintained under section 301 of the Act.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the aforesaid internal controls.
- In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v)(b) of paragraph 4 of the Order is not applicable to the Company for the current year.
- In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- The Company has internal audit system commensurate with size of the Company and the nature of its business.
- We have broadly reviewed the books of account maintained by the company, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have generally been maintained and are under preparation. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31st December, 2011, for a period of more than six months from the date of becoming payable.
 - According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax as at 31st December, 2011 which has not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of the dues	Amount Involved Rs. in lakhs	Period to which the amounts relates	Authority where the matter is pending
Income Tax Act, 1961.	Income Tax	243.60 134.59 178.20	AY 2007-08 AY 2008-09 AY 2009-10	ITAT CIT(A) CIT(A)

- The Company does not have any accumulated losses as at 31st December, 2011. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- According to the books of accounts and records of the Company, there has been no default in repayment of dues to any financial institution or bank during the year. The Company has not issued any debentures.
- According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us, the company has not taken any term loans. Therefore, the provisions of clause 4(xvi), of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- According to the information and explanations given to us, the Company has not issued any debentures.
- During the period covered by our audit report, the Company has not raised any money by public issues.
- To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

(RUSTOM D. DAVAR)
Partner
Membership No.: F. 10620

Place: Mumbai
Date: 16th February, 2012

Balance Sheet as at 31st December, 2011

	Schedule	Rs. ('000)	31/12/2011 Rs. ('000)	Rs. ('000)	31/12/2010 Rs. ('000)
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	96,00		96,00	
Reserves and Surplus	2	62,41,64		67,42,27	
			63,37,64		68,38,27
TOTAL			63,37,64		68,38,27
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	3	1,99,32		1,99,32	
Less: Depreciation/impairment		1,97,24		1,97,24	
Net Block			2,08		2,08
INVESTMENTS	4		—		5,16,10
DEFERRED TAX					
Deferred Tax Assets			17,34		19,40
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	5	3,29,62		4,01,66	
Sundry Debtors	6	1,16,56		1,69,94	
Cash and Bank Balances	7	56,68,42		54,81,81	
Other Current Assets	8	1,28,30		1,01,55	
Loans and Advances	9	4,28,98		4,60,67	
		66,71,88		66,15,63	
Less: CURRENT LIABILITIES AND PROVISIONS	10				
Current Liabilities		2,82,42		2,43,70	
Provisions		71,24		71,24	
		3,53,66		3,14,94	
NET CURRENT ASSETS			63,18,22		63,00,69
TOTAL			63,37,64		68,38,27
Notes to the Accounts	14				

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For CORNELIUS & DAVAR

Firm Registration No. 101963W

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 16th February, 2012

For and on behalf of the Board

Dr. Hasit B. Joshipura
ChairmanM. B. Kapadia
Director

Profit and Loss Account for the year ended 31st December, 2011

	Schedule	Rs. ('000)	31/12/2011 Rs. ('000)	Rs. ('000)	31/12/2010 Rs. ('000)
INCOME					
Sales		41,33,50		40,07,35	
Less : Excise duty on sales		89,28		65,99	
Net Sales		40,44,22		39,41,36	
Other Income	11	3,66,28	44,10,50	3,24,16	42,65,52
EXPENDITURE					
Materials	12	10,81,87		11,14,35	
Operating and other expenses	13	9,55,23		9,16,21	
Depreciation		—		—	
			20,37,10		20,30,56
Profit before tax			23,73,40		22,34,96
Less: Provision for taxation		7,73,00		7,46,76	
Deferred tax charge/(credit)		2,07	7,75,07	(15)	7,46,61
Profit after tax			15,98,33		14,88,35
Balance brought forward			60,07,24		67,73,64
AVAILABLE FOR APPROPRIATIONS			76,05,57		82,61,99
APPROPRIATIONS					
Interim Dividend		18,00,00		18,00,00	
Tax on Dividend		2,98,96		3,05,91	
		20,98,96		21,05,91	
Transfer to General Reserve		1,59,83	22,58,79	1,48,84	22,54,75
Balance carried forward			53,46,78		60,07,24
Earnings per share (basic and diluted) (Rs.)			166.49		155.04
Face value of shares - Rs. 10 each (Refer note 12 on Schedule 14)					
Notes to the Accounts	14				

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For CORNELIUS & DAVAR

Firm Registration No. 101963W

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 16th February, 2012

For and on behalf of the Board

Dr. Hasit B. Joshipura
ChairmanM. B. Kapadia
Director

Cash Flow Statement for the year ended 31st December, 2011

	31/12/2011 Rs. ('000)	31/12/2010 Rs. ('000)
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	23,73,40	22,34,96
Adjustments for :		
Interest income	(3,53,98)	(2,91,67)
Profit on sale of investments (net)	(11,90)	—
Operating profit before working capital changes	20,07,52	19,43,29
Adjustments for :		
Inventories	72,04	26,37
Trade and other receivables	35,60	1,94,42
Trade payables and other liabilities	38,71	(61,18)
Cash generated from operations	21,53,87	21,02,90
Direct taxes paid (net of refunds)	(7,23,53)	(9,21,57)
Net cash from operating activities A	14,30,34	11,81,33
b. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) / sale of investments (net)	5,28,00	—
Interest received	3,27,23	2,76,25
Net cash from / (used in) investing activities B	8,55,23	2,76,25
c. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(18,00,00)	(18,00,00)
Tax on Dividend	(2,98,96)	(3,05,91)
Net cash used in financing activities C	(20,98,96)	(21,05,91)
Net increase / (decrease) in cash and cash equivalents (A + B + C)	1,86,61	(6,48,33)
Cash and cash equivalents as at 1st January, 2011 (opening balance)	54,81,81	61,30,14
Cash and cash equivalents as at 31st December, 2011 (closing balance)	56,68,42	54,81,81
Net increase / (decrease) in cash and cash equivalents	1,86,61	(6,48,33)

NOTES:

- Cash and cash equivalents include:
Cash and bank balances
56,68,42 54,81,81
Total cash and cash equivalents
56,68,42 54,81,81
- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
This is the Cash Flow Statement referred to in our report of even date
For and on behalf of the Board

For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

Dr. Hasit B. Joshipura
Chairman

M. B. Kapadia
Director

RUSTOM D. DAVAR
(Partner)
Membership No. F10620
Place: Mumbai
Date: 16th February, 2012

Schedules to the Accounts

	31/12/2011 Rs. ('000)	31/12/2010 Rs. ('000)
SCHEDULE 1 : SHARE CAPITAL		
Authorised 1,500,000 Ordinary Shares of Rs.10/- each	1,50,00	1,50,00
ISSUED, SUBSCRIBED & PAID-UP: 960,000 Ordinary Shares of Rs.10/- each fully paid up (of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve) (All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)	96,00	96,00
TOTAL :	96,00	96,00
SCHEDULE 2: RESERVES & SURPLUS		
CAPITAL RESERVE: As per last Balance Sheet	2,91	2,91
GENERAL RESERVE: As per last Balance Sheet	7,32,12	5,83,28
Add: Transfer (to)/from Profit and Loss Account	1,59,83	8,91,95
PROFIT & LOSS ACCOUNT	53,46,78	60,07,24
TOTAL :	62,41,64	67,42,27

	31/12/2011 Rs. ('000) Book Value	31/12/2010 Rs. ('000) Book Value
SCHEDULE 4: INVESTMENTS (AT COST):		
LONG TERM INVESTMENTS		
NON-TRADE (QUOTED)		
National Thermal Power Corporation	—	25,20
14, 5.95% Bonds, 2011 of Rs.2,00,000 each	—	—
LIC Housing Finance Limited	—	—
50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	—	4,90,90
TOTAL :	—	5,16,10

Quoted : Market Value Nil
(Previous year : Rs. 5,24,36,000)
There are no investments purchased and
sold during the year.

SCHEDULE 5: INVENTORIES

(AT COST OR MARKET VALUE WHICHEVER
IS LESS AND AS VALUED AND CERTIFIED
BY THE MANAGEMENT)

Raw Materials	86,50	1,75,68
Packing Materials	32,99	11,11
Work-in-Progress	17,34	56,75
Finished Goods	1,92,79	1,58,12
TOTAL :	3,29,62	4,01,66

SCHEDULE 6: SUNDRY DEBTORS -
UNSECURED

Less than six months and considered good	1,16,56	1,69,94
TOTAL :	1,16,56	1,69,94

SCHEDULE 7: CASH AND BANK BALANCE

Bank balance with Scheduled Banks:		
On Current Accounts	1,27,42	90,81
On Deposits	55,41,00	53,91,00
TOTAL :	56,68,42	54,81,81

SCHEDULE 8: OTHER CURRENT ASSETS

Interest accrued on Bank Deposits/ Investments	1,28,30	1,01,55
TOTAL :	1,28,30	1,01,55

SCHEDULE 3: FIXED ASSETS

(Rs. '000)									
Sr No.	Particulars	GROSS BLOCK				DEPRECIATION			
		At Cost as on 01/01/2011	Additions during the year	Sale/scrapped during the year	Total As at 31/12/2011	Depreciation as on 01/01/2011	Depreciation/ impairment for the year	Depreciation in respect of items sold/ scrapped	Depreciation to date 31/12/2011
1	Land	2,08	—	—	2,08	—	—	—	2,08
2	Factory Building	16,98	—	—	16,98	16,98	—	—	16,98
3	Plant & Machinery	1,10,32	—	—	1,10,32	1,10,32	—	—	1,10,32
4	Furniture & Fixtures	13,48	—	—	13,48	13,48	—	—	13,48
5	Cycles	5	—	—	5	5	—	—	5
6	Computers	56,41	—	—	56,41	56,41	—	—	56,41
	Total	1,99,32	—	—	1,99,32	1,97,24	—	—	1,97,24
	<i>Previous Year</i>	<i>1,99,32</i>	<i>—</i>	<i>—</i>	<i>1,99,32</i>	<i>1,97,24</i>	<i>—</i>	<i>—</i>	<i>1,97,24</i>

	Rs. (‘000)	Rs. (‘000)	Rs. (‘000)	Rs. (‘000)
	31/12/2011		31/12/2010	
SCHEDULE 9: LOANS AND ADVANCES				
(Unsecured, Considered good)				
Sundry Deposit		13,70		13,70
Balance with customs and excise		8		8
Other advances		1,43,03		1,25,25
Advance Income-tax (Net of Provision)		2,72,17		3,21,64
TOTAL :		4,28,98		4,60,67
SCHEDULE 10: CURRENT LIABILITIES AND PROVISIONS				
a. Sundry Creditors				
Micro and Small enterprises (Refer note 14 on Schedule 14)		—		—
Others		2,82,42		2,43,70
b. Provisions				
For Drugs Prices Equalisation Account (Refer note 3 on Schedule 14)		71,24		71,24
TOTAL :		3,53,66		3,14,94
SCHEDULE 11: OTHER INCOME				
Profit on Sale of Investments		11,90		—
Interest income		3,53,98		2,91,67
{Tax deducted at source Rs. 28,30,790 (Previous year Rs. 23,19,210)}				
Exchange gain (net)		—		32,48
Miscellaneous Income		40		1
TOTAL :		3,66,28		3,24,16
SCHEDULE 12: MATERIALS				
Raw and packing materials consumed		8,82,31		10,63,07
Purchase of Finished Goods		1,94,82		24,24
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process		56,75		76,99
Finished Goods		1,58,12		1,64,92
		2,14,87		2,41,91
Less: Closing Stocks				
Work-in-Process		17,34		56,75
Finished Goods		192,79		1,58,12
		2,10,13		2,14,87
TOTAL :		10,81,87		11,14,35
SCHEDULE 13: OTHER EXPENSES				
Selling & Distribution Expenses		7,06,02		6,45,14
Manufacturing Charges		79,66		80,67
Rent		1,67		1,63
Rates & Taxes		71,17		66,00
Excise Duty		(13,99)		(3,16)
Insurance		12		33
Remuneration of auditors :				
Statutory audit fees		1,76		1,76
Tax audit fees		44		44
Other services		35		35
Reimbursement of expenses		65		80
		3,20		3,35
Cost audit fees		24		20
		3,44		3,55
Finance Charges		1		21,58
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		86,78		66,76
Exchange loss (net)		2,06		—
Miscellaneous Expenses		18,29		33,71
TOTAL :		9,55,23		9,16,21

SCHEDULE : 14

Notes annexed to and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st December, 2011.

1 Statement of Significant Accounting Policies:**a) Basis of Accounting**

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

b) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

The Company provides for depreciation on a straight line method. The depreciation rates used by the Company are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956 and where higher are as follows:

S. L. M. Rates %

Buildings	3.50
Plant and Machinery (excluding Gas Installations)	10.00
Furniture and Fittings	10.00
Vehicles and Mainframe Computers	25.00
Personal Computers and Laptops	33.33

No write-offs are made in respect of leasehold land.

Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value / salvage value.

c) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current Investments are stated at cost or fair value whichever is less.

d) Inventories

Raw materials, Packaging materials and Stores, Spares and Loose tools are valued at cost, on First-in First-out basis. Work-in-process is valued at cost of manufacturing which includes an appropriate portion of overheads upto the stage of completion. Finished goods is valued at lower of cost and estimated net realisable value.

e) Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts.

f) Foreign Currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account. Premium in respect of forward contracts is accounted over the period of the contract.

g) Research and Development

Capital expenditure on Research and Development is treated in the same way as expenditure on Fixed Assets. The revenue expenditure on Research and Development is written off in the year in which it is incurred.

h) Provision for Retirement Benefits

The Company has its own Gratuity Fund recognised by the Income Tax authorities and the fund is administered through Trustees. The Superannuation fund benefits is administered by a trust formed for this purpose through the Group Schemes of the Life Insurance Corporation of India, and the liability towards Superannuation is provided according to the rules of the Fund.

i) Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of CENVAT credits in respect of materials consumed for sales is deducted from cost of materials consumed.

j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Other Accounting Policies

These are consistent with the generally accepted accounting principles.

2 Contingent Liabilities not provided for:

- Claims against the Company not acknowledged as debts Rs. 1079,56,862 (Previous year Rs. Rs.9,85,86,448)
- Income-tax matters in respect of which appeals are pending Rs. 5,56,40,136 (Previous year Rs. 3,06,32,838)
- Sales tax matters - Nil (Previous year Rs. 89,80,000)
- Guarantee given by the Company to the Customs Authorities Rs. 2,00,00,000 (Previous year Rs.2,00,00,000)
- Based on the data obtained by Government, it had directed the Company to pay a tentative amount of Rs. 49,28,762 along with interest due thereon into the Drugs Prices Equalisation Account (DPEA) under Drugs (Price Control) Order 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by the Company. The Company had filed its reply contending that no amount is payable into DPEA.

Biddle Sawyer Limited

3

The Company received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40,79,918 comprising Rs. 1,42,74,110 in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98,05,808 upto 31st July, 1998. The Company had been legally advised that the demand of Rs. 1,42,74,110 is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by the Company in a Writ Petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to the Company depositing 50% of the principal amount. Accordingly, the Company has deposited an amount of Rs. 71,50,000 with the Government on 3rd May, 1999. This is a normal interim order passed by the High Court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if the Company succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

4

Deferred tax assets are attributable to the following items :

	2011	2010
	Rs. ('000)	Rs. ('000)
Provision for pricing of formulation	17,34	18,15
Expenses allowable for tax purposes when paid	—	1,25
	<u>17,34</u>	<u>19,40</u>

5

Value of Imported Raw and Packing Materials calculated on C.I.F. basis

	7,13,18	9,61,54
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6

Consumption of Raw Materials & Packing Materials:

Particulars	Units	2011		2010	
		Qty.	Rs. ('000)	Qty.	Rs. ('000)
Alpha D3	Lacs	253.079	5,18,67	220.541	4,44,33
Serratiopeptidase	Kgs	191.660	2,74,23	372.080	5,28,91
Packing Material			71,58		65,22
Other Basic Raw Materials none of which account for more than 10% of the total value of consumption			17,83		24,61
Total			<u>8,82,31</u>		<u>10,63,07</u>

7

Value & Percentage of Imported / Indigenous Materials Consumed:

	2011	2010
	Rs. ('000)	Rs. ('000)
Purchased indigenously including canalised items	96,24 11%	78,22 7%
Imported by the Company including customs duty & clearing charges	7,86,07 89%	9,84,85 93%

8

Detailed information in respect of opening and closing stocks, production and sales in respect of each class of goods produced and traded:

Class of Goods	Unit	Stocks at Commencement		Production	Purchase		Sales		Stocks at Close	
		Quantity	Rs. ('000)	Quantity	Quantity	Rs. ('000)	Quantity	Rs. ('000)	Quantity	Rs. ('000)
Formulations										
Tablets	Lacs	112.94 (97.21)	83,66 (77,03)	325.97 (475.99)	183.54 (78.59)	1,94,82 (24,24)	523.29 (537.34)	28,31,39 (28,34,65)	97.87 (112.94)	85,33 (83,66)
Capsules	Lacs	33.74 (36.78)	74,46 (87,89)	242.69 (215.28)	— (—)	— (—)	230.84 (218.22)	13,02,11 (11,72,70)	45.24 (33.74)	107,46 (74,46)
TOTAL			<u>1,58,12</u> <u>(1,64,92)</u>			<u>1,94,82</u> <u>(24,24)</u>		<u>41,33,50</u> <u>(40,07,35)</u>		<u>1,92,79</u> <u>(1,58,12)</u>

Notes:

1

Figures in brackets are in respect of the previous year.

2

The closing stocks stated above are after adjustments for in-transit breakages / damages, date expired stocks. Closing stock figures, if derived from opening stocks, production and sales would be different due to these adjustments.

3

Actual production includes quantities produced in the factories of third parties on loan licenses.

9

The foreign currency exposures not hedged as at the year end are as under :

	Rs. ('000)			
	31st December, 2011		31st December, 2010	
Currency Exchange	USD	Euro	USD	Euro
Net unhedged exposure in currency	(3,48,42)	—	(3,43,64)	(17,95)

10

The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.

11

Related Party disclosures:

1

Related parties with whom there were transactions during the year are listed below:

Holding Company:

The company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.

Notes:

- Figures in brackets are in respect of the previous year.
- The closing stocks stated above are after adjustments for in-transit breakages / damages, date expired stocks. Closing stock figures, if derived from opening stocks, production and sales would be different due to these adjustments.
- Actual production includes quantities produced in the factories of third parties on loan licenses.

- The foreign currency exposures not hedged as at the year end are as under :

	Rs. ('000)			
	31st December, 2011		31st December, 2010	
Currency Exchange	USD	Euro	USD	Euro
Net unhedged exposure in currency	(3,48,42)	—	(3,43,64)	(17,95)

- The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.

11 Related Party disclosures:

- Related parties with whom there were transactions during the year are listed below:
Holding Company:
The company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.

- The following transactions were carried out with the related parties at normal commercial terms in the ordinary course of business.

	Rs. ('000)	
	Holding Company	
	2011	2010
1 Payment of manufacturing charges	52,00	37,02
2 Payment of common costs	95,71	73,64
3 Payment of CSA commission	1,55,85	1,51,45
4 Payment of marketing commission	4,45,31	4,32,64
5 Dividend paid	18,00,00	18,00,00
6 Outstanding payable/(receivable) by the Company (net) @	(1,16,56)	(1,69,94)

@ Transactions with the above parties are accounted in the respective current accounts.

12 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

		Previous year	
	Rs. ('000)	15,98,33	14,88,35
Profit after taxation			
Weighted average number of shares	Nos.	960000	960000
Earnings per share (Basic and Diluted)	Rs.	166.49	155.04
Face value per share	Rs.	10	10

13 Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details

Registration No.	6218	State Code	11
Balance Sheet Date	31/12/11		

II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	669130	Total Assets	669130
Sources of Funds			
Paid-Up Capital	9600	Reserves & Surplus	624164
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Fixed Assets	208	Investments	NIL
Net Current Assets*	633556	Misc. Expenditure	NIL
Accumulated Losses	NIL		

* including deferred tax asset

III. Performance of Company (Amount in Rs. Thousands)

Turnover	441050	Total Expenditure	203710
Profit Before Tax	237340	Profit After Tax	159833
Earning Per Share in Rs.	166	Dividend Rate (%)	1875

IV. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	3507.90
Product Description	SERRATIOPEPTIDASE
Item Code No. (ITC Code)	3333.90
Product Description	ALFACALCIDOL
Item Code No. (ITC Code)	2922.42
Product Description	METHOTREXATE

- There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.

The above information and that given in Schedule 10 - "Current Liabilities" regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

- Previous year's figures have been regrouped/recast wherever necessary.

Signatures to the Schedules 1 to 14 which form an integral part of the Accounts.

As per report of even date attached
For CORNELIUS & DAVAR
Firm Registration No. 101963W
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR
(Partner)
Membership No. F10620

Dr. Hasit B. Josphura
Chairman

M. B. Kapadia
Director

Place: Mumbai
Date: 16th February, 2012

Auditors' Report to the Board of Directors of GlaxoSmithKline Pharmaceuticals Limited on the Consolidated Financial Statements of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary

1. We have audited the attached Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'Company') and its subsidiary, hereinafter referred to as the 'Group' [Refer Note (b) on Schedule 17 to the attached consolidated financial statements), as at 31st December, 2011, and the related Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, included in the consolidated financial statements, which constitute total assets of Rs. 66,91.30 lakhs and net assets of Rs. 63,37.64 lakhs as at 31st December, 2011 and total revenue of Rs.4410.50 lakhs, net profit of Rs. 15 98.33 lakhs and net cash flows amounting to Rs. 1,86.61 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the component of the Group as referred to above and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st December, 2011;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Mumbai, 16th February, 2012

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants
Asha Ramanathan
Partner
Membership No. 202660

Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December, 2011

								Schedule		Rupees in lakhs		Previous year Rupees in lakhs	
SOURCES OF FUNDS													
SHAREHOLDERS' FUNDS													
Capital	..	..	..	..	..	..	1	84,70.30		84,70.30		
Reserves and surplus	..	..	..	..	..	..	2	1850,99.54	1935,69.84	1866,87.79		1951,58.09
LOAN FUNDS													
Unsecured loans	..	..	..	..	..	..	3		4,90.52			5,16.19
TOTAL				..				1940,60.36				1956,74.28	
APPLICATION OF FUNDS													
FIXED ASSETS								4					
Gross block	..	..	..	..	..	..		315,80.35		362,54.25		
Less : Depreciation	..	..	..	..	..	..		216,65.06		253,58.86		
Net block	..	..	..	..	..	..		99,15.29		108,95.39		
Capital work-in-progress		..	..	..	..	..		25,40.84	124,56.13	8,72.09		117,67.48
INVESTMENTS								5		112,18.93		117,90.02	
DEFERRED TAX								6					
Deferred tax assets	..	..	..	..	..	..		67,59.86		65,32.93		
Deferred tax liabilities	..	..	..	..	..	..		5,95.92	61,63.94	8,74.00		56,58.93
CURRENT ASSETS, LOANS AND ADVANCES													
Inventories	..	..	..	..	..	..	7	333,43.69		285,55.41		
Sundry debtors	..	..	..	..	..	..	8	85,31.16		47,02.65		
Cash and bank balances		..	..	..	..	..	9	2043,05.95		2002,89.50		
Other current assets	..	..	..	..	..	..	10	70,25.74		53,83.67		
Loans and advances	..	..	..	..	..	..	11	229,35.81		120,25.72		
										2761,42.35		2509,56.95	
Less : CURRENT LIABILITIES AND PROVISIONS													
Liabilities	..	..	..	..	..	..	12	356,19.56		346,95.59		
Provisions	..	..	..	..	..	..	13	763,01.43		498,03.51		
										1119,20.99		844,99.10	
NET CURRENT ASSETS		..	..	..	..	..			1642,21.36			1664,57.85
TOTAL				..					1940,60.36			1956,74.28	
Notes to the Consolidated Financial Statements								17					

The schedules referred to above form an integral part of the Consolidated Balance Sheet

This is the Consolidated Balance Sheet referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman D. S. PAREKH
Managing Director Dr. H. B. JOSHIPURA
Senior Executive Director M. B. KAPADIA
Company Secretary A. A. NADKARNI

Consolidated Profit and Loss Account of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2011

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
INCOME			
Sales (Gross)		2433,06.89	2195,15.55
Less : Excise duty on sales		54,59.27	44,09.94
Net sales		2378,47.62	2151,05.61
Other income	14	181,19.97	130,60.55
TOTAL INCOME		2559,67.59	2281,66.16
EXPENDITURE			
Materials	15	919,33.07	788,14.74
Operating and other expenses	16	692,60.56	604,27.04
Depreciation		20,40.78	17,62.82
TOTAL EXPENDITURE		1632,34.41	1410,04.60
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		927,33.18	871,61.56
Provision for taxation			
Current tax		308,38.21	296,98.43
Deferred tax		(3,23.90)	(3,63.39)
		305,14.31	293,35.04
Fringe benefits tax - write back of provision for earlier years		(7,15.45)	—
NET PROFIT AFTER TAXATION		629,34.32	578,26.52
AND BEFORE EXCEPTIONAL ITEMS			
EXCEPTIONAL ITEMS (net of tax)		(200,75.57)	(17,69.36)
(Refer note 14 on Schedule 17)			
NET PROFIT		428,58.75	560,57.16
Balance brought forward		1200,22.03	1092,59.03
AVAILABLE FOR APPROPRIATION		1628,80.78	1653,16.19
APPROPRIATIONS			
Proposed dividend		381,16.35	338,81.20
Tax on distributed profit		63,30.65	56,27.24
		444,47.00	395,08.44
Transfer to general reserve		44,65.87	57,85.72
BALANCE CARRIED FORWARD		1139,67.91	1200,22.03
Earnings per share before exceptional items (basic and diluted) (Rs.)		74.30	68.27
Earnings per share (basic and diluted) (Rs.)		50.60	66.18
Face value of shares Rs. 10 each.			
(Refer note 21 on Schedule 17)			
Notes to the Consolidated Financial Statements	17		

The schedules referred to above form an integral part of the Consolidated Profit and Loss Account

This is the Consolidated Profit and Loss Account referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2011

	Rupees in lakhs	Previous year Rupees in lakhs
a. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	927,33.18	871,61.56
<i>Adjustments for :</i>		
Depreciation	20,40.78	17,62.82
Interest expense	32.74	62.15
Provision / write off for doubtful debts, loans and advances (net)	1,09.27	50.07
Unrealised gain on foreign exchange	(11.28)	(1.91)
Profit on sale / disposal of fixed assets (net)	(87.84)	(49.04)
Profit on sale / redemption of investments	(11.90)	(1.81)
Provision written back as no longer required	(14,60.97)	(7,93.24)
Interest income	(145,49.01)	(100,24.72)
Operating profit before working capital changes	787,94.97	781,65.88
<i>Adjustments for :</i>		
Inventories	(50,72.96)	(28,25.69)
Trade and other receivables	(38,60.66)	(6,69.77)
Trade payables and other liabilities	16,51.61	47,61.13
Cash generated from operations	715,12.96	794,31.55
Direct taxes paid (net of refunds) (including fringe benefits tax)	(316,53.43)	(313,88.72)
Cash flow before exceptional items	398,59.53	480,42.83
<i>Exceptional items:</i>		
Payments under Voluntary Retirement Scheme	(9,12.62)	—
Payment for pricing of formulations	(53,10.77)	—
Non recurring expenses for merger / rationalisation initiatives	(72.21)	(1,06.50)
Net cash from operating activities	A 335,63.93	479,36.33
b. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(42,09.51)	(21,39.44)
Sale of fixed assets	2,45.60	76.78
Sale / redemption of investments	5,28.00	30,01.82
Interest received	133,58.04	77,36.45
Net cash from investing activities	B 99,22.13	86,75.61
c. CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of borrowings	(25.67)	(25.67)
Interest paid	(61.21)	(67.56)
Dividend paid	(337,66.77)	(253,02.73)
Tax on distributed profit	(56,27.24)	(43,18.58)
Net cash used in financing activities	C (394,80.89)	(297,14.54)
Net increase in cash and cash equivalents	(A + B + C) 40,05.17	268,97.40
Cash and cash equivalents as at 1st January, 2011 (opening balance)	2003,00.61	1734,03.21
Cash and cash equivalents as at 31st December, 2011 (closing balance)	2043,05.78	2003,00.61
Net increase in cash and cash equivalents	40,05.17	268,97.40
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	2043,05.95	2002,89.50
Unrealised (gain) / loss on foreign currency	(0.17)	11.11
Total cash and cash equivalents	2043,05.78	2003,00.61

2. The Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

This is the Consolidated Cash Flow Statement referred to in our report of even date

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Schedules to the Consolidated Financial Statements

1

CAPITAL

AUTHORISED
9,00,00,000 equity shares of Rs.10 each

ISSUED
8,47,07,710 equity shares of Rs.10 each, fully paid up

SUBSCRIBED AND PAID-UP
8,47,03,017* equity shares of Rs.10 each, fully paid up

* excludes 4,693 equity shares of Rs.10 each of the Company (3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited) held in abeyance.

Of the above shares:

(i) 4,29,17,488 equity shares are held by the ultimate holding company GlaxoSmithKline plc, U.K. through its subsidiaries.

Prior to the buy back of equity shares#:

(ii) 1,28,47,546 equity shares were allotted as fully paid-up pursuant to the Scheme of Amalgamation of Burroughs Wellcome (India) Limited with the Company.

(iii) 1,47,00,000 equity shares were allotted as fully paid-up pursuant to the Scheme of Arrangement for Amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited with the Company.

(iv) 4,06,87,500 equity shares were allotted as fully paid-up bonus shares by capitalisation of share premium and reserves.

(v) 15,00,000 equity shares were allotted as fully paid-up pursuant to contracts without payments being received in cash.

The Company bought back and extinguished 26,19,529 equity shares in 2005.

Rupees in lakhs	Previous year Rupees in lakhs
90,00.00	90,00.00
84,70.77	84,70.77
84,70.30	84,70.30

2

RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2011	Additions	Deductions	As at 31st December 2011	As at 31st December 2010
Capital Reserve	1,70.97	—	—	(b) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(c) 2,62.00	2,62.00
General Reserve	662,32.79	(a) 44,65.87	—	706,98.66	662,32.79
Profit and Loss Account - Surplus	1200,22.03	—	60,54.12	1139,67.91	1200,22.03
TOTAL	1866,87.79	44,65.87	60,54.12	1850,99.54	1866,87.79
Previous Year Total	1701,39.07	165,48.72	—	1866,87.79	

(a) Transfer from Profit and Loss Account.

(b) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(c) Includes Rs. 2,61.95 lakhs on account of buy back of equity shares.

Schedules to the Consolidated Financial Statements — continued

3 UNSECURED LOANS

Interest free sales tax loan from SICOM Limited

TOTAL

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
4,59.33	31.19	4,90.52	25.67
4,59.33	31.19	4,90.52	25.67
	4,90.52		5,16.19

4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2011	Additions	Deductions	As at 31st December 2011	As at 1st January 2011	For the Year	On Deductions	As at 31st December 2011	As at 31st December 2011	As at 31st December 2010
Goodwill (a)	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
Freehold land	22.89	—	—	22.89	—	—	—	—	22.89	22.89
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (b)	28,16.65	7.32	—	28,23.97	13,90.86	63.50	—	14,54.36	13,69.61	14,25.79
Leasehold buildings	36,29.05	5.72	3.62	36,31.15	16,54.32	1,17.47	1.90	17,69.89	18,61.26	19,74.73
Plant and machinery	211,27.79	21,95.49	66,41.13	166,82.15	148,13.31	14,95.01	53,36.80	109,71.52	57,10.63	63,14.48
Furniture and fittings	35,72.72	1,41.88	3,67.39	33,47.21	27,21.45	2,22.44	2,82.66	26,61.23	6,85.98	8,51.27
Vehicles	8,25.91	1,17.18	1,29.35	8,13.74	5,63.95	1,42.36	1,13.22	5,93.09	2,20.65	2,61.96
TOTAL	362,54.25	24,67.59	71,41.49	315,80.35	253,58.86	20,40.78	57,34.58	216,65.06	99,15.29	
Previous year	333,32.10	34,03.08	4,80.93	362,54.25	240,49.23	17,62.82	4,53.19	253,58.86		108,95.39
Work-in-progress at cost and advance payments against capital expenditure									25,40.84	8,72.09
								TOTAL	124,56.13	117,67.48

Notes:

(a) Amortised over a period of ten years.

(b) Freehold buildings include investments representing ownership of residential flats (Refer note 8 on Schedule 17).

Schedules to the Consolidated Financial Statements — continued

5 INVESTMENTS

LONG TERM (at Cost)

IN GOVERNMENT SECURITIES

Quoted

7.40% Government of India Securities, 2012

Face value Rs. 25,00 lakhs	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						25,17.33	25,66.73

Unquoted

National Savings Certificate	..	..	..	..	..	0.17	0.17
(Lodged with Government authorities)							

TRADE

Unquoted

Biotech Consortium India Limited							
50,000 Equity Shares of Rs. 10 each fully paid.	..	..	..	..	..	5.00	5.00
Dinette Exclusive Club Private Limited							
500 Equity Shares of Rs. 100 each fully paid	..	..	..	..	..	0.50	0.50

OTHER THAN TRADE

Quoted

Housing Development Finance Corporation Limited							
100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each	..					10,00.00	10,00.00
350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	..					34,90.90	34,90.90
Indian Railway Finance Corporation Limited							
20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	..	..	..			2,00.24	2,00.71
LIC Housing Finance Limited							
100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	..					10,00.80	10,01.05
100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	..					10,00.47	10,00.88
Nil, (Previous year : 50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each)						—	4,90.90
National Thermal Power Corporation							
Nil, (Previous year : 14, 5.95% Bonds, 2011 of Rs. 2,00,000 each)	..					—	25.20
National Bank for Agriculture and Rural Development							
100, 9.80% Non Priority Sector Bonds 2012 IX H Series of Rs. 10,00,000 each						10,00.00	10,00.00
Power Finance Corporation Limited							
100, 9.80% Bonds, 2012 of Rs. 10,00,000 each	..	..	..			10,03.52	10,07.98
TOTAL	..					112,18.93	117,90.02
Aggregate of Unquoted Investments - At Book value	..	..	..			5.67	5.67
Aggregate of Quoted Investments - At Book value	..	..	..			112,13.26	117,84.35
- At Market value	..	..	..			111,88.41	117,97.54

Schedules to the Consolidated Financial Statements — continued

Previous year
Rupees in lakhs

					Rupees in lakhs	
6	DEFERRED TAX					
	Deferred tax assets and liabilities are attributable to the following items:					
	<u>Assets</u>					
	Liability for Drugs Prices Equalisation Account	..	..	..	—	3,48.52
	Provision for employee benefits	..	..	..	23,30.83	22,03.54
	Costs of voluntary retirement schemes	..	..	..	2,53.04	9.75
	Provision for doubtful debts, loans and advances	..	..	..	3,22.29	2,93.73
	Provision for pricing of formulations	..	..	..	2,18.65	2,24.25
	Interest on Income-tax refund not received but considered as taxable under the Income-tax Act, 1961	..	..	..	21,01.96	21,52.01
	Expenses allowable for tax purposes when paid	..	..	..	15,33.09	13,01.13
	TOTAL	..	..	..	67,59.86	65,32.93
	<u>Liabilities</u>					
	Depreciation	..	..	..	3,69.34	7,73.60
	Fixed assets held for sale	..	..	..	2,26.58	1,00.40
	TOTAL	..	..	..	5,95.92	8,74.00
	TOTAL	..	..	..	61,63.94	56,58.93
7	INVENTORIES					
	(Inventories have been valued at lower of cost and net realisable value)					
	Stores and spares	..	..	..	2,32.01	4,53.53
	Raw and packing materials	..	..	..	58,23.15	64,17.66
	Work-in-progress	..	..	..	54,77.49	52,33.26
	Finished goods	..	..	..	218,11.04	164,50.96
	TOTAL	..	..	..	333,43.69	285,55.41
8	SUNDRY DEBTORS					
	(Unsecured)					
	Outstanding for over six months	..	..	..	8,54.75	87.25
	Others	..	..	..	11.79	84,43.91
					8,66.54	85,31.16
	Less : Provision for doubtful debts.	..	..	..	(8,66.54)	—
					—	85,31.16
	TOTAL	..	..	..	85,31.16	47,02.65
9	CASH AND BANK BALANCES					
	Cash on hand	..	..	..	3.72	4.41
	Remittances in transit (Refer note 3(iii) on Schedule 17)	..	..	..	5.92	5.92
	With scheduled banks					
	Current account	..	..	..	52,32.19	58,18.75
	Fixed deposit account	..	..	..	1989,46.00	1942,16.00
	Call / margin money deposit	..	..	..	1,18.12	2,44.42
	TOTAL	..	..	..	2043,05.95	2002,89.50

Schedules to the Consolidated Financial Statements — continued

					Rupees in lakhs		Previous year Rupees in lakhs	
10	OTHER CURRENT ASSETS							
	Interest accrued on investments/deposits	..	..		63,27.38		50,81.42	
	Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower)	..	..		6,98.36		3,02.25	
	TOTAL	..			<u>70,25.74</u>		<u>53,83.67</u>	
11	LOANS AND ADVANCES				<u>Doubtful</u>	<u>Good</u>	<u>Doubtful</u>	<u>Good</u>
	(Unsecured)							
	Loans and advances recoverable in cash or in kind or for value to be received							
	Sundry deposits	..	..	..	—	24,79.40	—	24,15.23
	Other advances	..	..	..	1,26.99	65,32.96	1,26.81	74,10.00
	Less : Provision for doubtful advances	..	..		(1,26.99)	—	(1,26.81)	—
					—	90,12.36	—	98,25.23
	Balance with customs, excise and port trust on current accounts				—	27,98.72	—	20,62.97
	Current taxation (Refer note 22 on Schedule 17)	..			—	111,24.73	—	—
	Fringe benefits tax (Refer note 23 on Schedule 17)	..			—	—	—	1,37.52
					—	229,35.81	—	120,25.72
	TOTAL	..			<u>229,35.81</u>		<u>120,25.72</u>	
12	CURRENT LIABILITIES							
	Sundry creditors	..	..	..	342,45.16		334,35.62	
	Unpaid dividend*	..	..	..	13,74.40		12,59.97	
	TOTAL	..			<u>356,19.56</u>		<u>346,95.59</u>	
	* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.							
13	PROVISIONS							
	For current taxation (Refer note 22 on Schedule 17)	..			—		25,40.93	
	For Drugs Prices Equalisation Account	..	..		248,15.29		11,20.47	
	For proposed equity dividend	..	..	..	381,16.35		338,81.20	
	For tax on distributed profit	..	..	..	63,30.65		56,27.24	
	For employee benefits [includes actuarial gain of Rs. 1,41.20 lakhs recognised in the year (previous year - actuarial loss of Rs.11,96.08 lakhs)]	..			70,39.14		66,33.67	
	TOTAL	..			<u>763,01.43</u>		<u>498,03.51</u>	

Schedules to the Consolidated Financial Statements — continued

14

OTHER INCOME

Service income

			Rupees in lakhs	Previous year Rupees in lakhs
Clinical research and data management	..	..	40,96.17	40,21.79
Other services	..	..	9,05.95	10,76.03
Direct expenses relating to the above	..	..	(40,98.24)	(42,91.53)
			9,03.88	8,06.29
Export related benefits (net)	..	..	79.37	81.93
Consignment sales commission	..	..	91.72	91.25
Rent received	..	..	68.29	63.90
Profit on sale / disposal of fixed assets (net)	..	..	87.84	49.04
Manufacturing charges recovery	..	..	1,37.01	1,92.93
Provision written back as no longer required	..	..	14,60.97	7,93.24
Others (Refer note 11(a) on Schedule 17)	..	..	7,74.62	10,19.40
			36,03.70	30,97.98
Interest income (Gross):				
On deposits with banks	..	..	134,67.30	87,90.63
On loans	..	..	21.08	20.82
On tax refunds	..	..	18.20	—
On investments - Government securities and other than trade				
-long term [net of premium write-off of Rs. 54.99 lakhs (Previous year Rs. 55.86 lakhs)]			9,97.10	11,83.49
Others			45.33	29.78
			145,49.01	100,24.72
Less: Interest expense:				
Security deposits	..	..	(28.68)	(28.48)
Others	..	..	(4.06)	(33.67)
			(32.74)	(62.15)
			145,16.27	99,62.57
TOTAL	..	..	181,19.97	130,60.55
Tax deducted at source :				
On interest	..	..	12,85.14	6,69.03
Others	..	..	1,06.04	4,73.74
			13,91.18	11,42.77

15

MATERIALS

Raw and packing materials consumed	..	..	440,05.85	430,45.32
Purchase of finished goods	..	..	535,31.53	377,61.37
(Increase) / decrease in work-in-progress and finished goods:				
Opening stock				
Work-in-progress	..	..	52,33.26	42,62.81
Finished goods	..	..	164,50.96	154,29.46
			216,84.22	196,92.27
Less: Closing stock				
Work-in-progress	..	..	54,77.49	52,33.26
Finished goods	..	..	218,11.04	164,50.96
			272,88.53	216,84.22
			(56,04.31)	(19,91.95)
TOTAL	..	..	919,33.07	788,14.74

Schedules to the Consolidated Financial Statements — continued

16

OPERATING AND OTHER EXPENSES

					Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	..	..	249,95.65	216,97.46	
Contributions to: Provident and pension funds	..	..	..	..	13,28.63	11,71.56	
Gratuity funds	..	..	..	..	4,75.61	1,39.41	
Staff welfare	..	..	..	..	10,36.42	10,76.81	240,85.24
Sales promotion	..	..	..	..	106,42.92		96,26.89
Selling commission on exports	..	..	..	..	1.99		4.66
Stock point commission	..	..	..	..	11,27.20		10,25.03
Freight (net)	..	..	..	..	39,96.90		34,28.88
Travelling	..	..	..	..	48,87.34		40,13.07
Provision / write off for doubtful debts, loans and advances (net)					1,09.27		50.07
Manufacturing charges					53,85.24		47,60.09
Repairs - Buildings	..	..	..	..	2,74.10	4,12.91	
- Plant and Machinery	..	..	..	..	10,58.00	12,10.46	
- Others	..	..	..	..	13.21	22.35	16,45.72
Consumption of stores and spares	..	..	..	..	3,15.16		3,45.52
Power, fuel and water	..	..	..	..	26,70.13		26,75.37
Rent	..	..	..	..	10,86.22		9,86.80
Rates and taxes	..	..	..	..	10,50.77		9,62.59
Printing, postage and telephones	..	..	..	..	13,55.10		12,57.82
Sales training, briefing and conference	..	..	..	..	19,97.60		19,24.36
Excise duty	..	..	..	..	4,17.67		(2,42.02)
Insurance	..	..	..	..	3,15.01		2,93.54
Remuneration to auditors :							
Statutory audit fees	..	..	..	..	40.53	35.57	
In other capacity in respect of :							
Tax audit fees	..	..	..	..	6.62	6.62	
Audit of tax accounts	..	..	..	..	22.06	22.06	
Other services	..	..	..	..	27.85	23.99	
Reimbursement of expenses	..	..	..	..	1.70	1.56	
					98.76	89.80	
Cost audit fees	..	..	..	..	2.43	4.50	94.30
Date-expired stocks	..	..	..	..	26,84.39		22,72.80
Commission to non whole-time Directors	..	..	..	..	42.78		39.45
Directors' sitting fees	..	..	..	..	13.40		13.20
Miscellaneous (Refer note 11(b) on Schedule 17)					53,71.24		49,10.42
Reimbursement of expenses (net) (Refer note 13 on Schedule 17)	..	..	..	..	6,05.66		5,44.77
Expenses relating to service income (Refer Schedule 14)					(40,98.24)		(42,91.53)
TOTAL					692,60.56		604,27.04

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

(b) Principles of consolidation

1. The consolidated financial statements relate to GlaxoSmithKline Pharmaceuticals Limited (the 'Company') and its wholly owned subsidiary. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The excess of cost to the Company of its investment in the subsidiary is recognised in the financial statements as goodwill, which is amortised over a period of ten years.

2. The subsidiary considered in the consolidated financial statements is :

Name of the Company	Country of incorporation	% voting power held as at 31st December, 2011	% voting power held as at 31st December, 2010
Biddle Sawyer Limited (BSL)	India	100	100

Other Significant Accounting Policies

These are set out in the notes to the financial statements under "Statement of Accounting Policies" of the financial statements of the Company and BSL.

- 1 The demand of Rs. 71.79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgement and Order dated 30th March 2011, upheld the demand. The Company had accrued a liability of Rs. 18.68 lakhs in earlier years and a further provision of Rs. 53.11 lakhs (net of tax Rs. 24.45 lakhs) has been disclosed under Exceptional Items (Refer note 14).

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63.60 lakhs, which together with the amount of Rs. 8.19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71.79 lakhs made by the Government in November 1990.

In October 1996, the Government had claimed interest of Rs. 117.66 lakhs for the period 12th May 1981 to 17th October 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October 2011, raised a demand on the Company for the interest amount amounting to Rs. 247.44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247.44 lakhs (net of tax Rs. 161.01 lakhs) in respect of the Government's claim for interest disclosed under Exceptional Items (Refer note 14). The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition before the Supreme Court for stay of the interest demand until final determination of the Writ Petition filed in the Delhi High Court.

- 2 Further, BSL received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40.80 lakhs comprising Rs. 1,42.74 lakhs in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98.06 lakhs upto 31st July, 1998. BSL had been legally advised that the demand of Rs. 1,42.74 lakhs is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by BSL in a writ petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to BSL depositing 50% of the principal amount. Accordingly, BSL has deposited an amount of Rs. 71.50 lakhs with the Government on 3rd May, 1999. This is a normal interim order passed by the High court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if BSL succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and BSL's writ petition will now be heard by the Bombay High Court.
- 3 Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):
- (i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of remuneration to the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.
 - (iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.
- 4 Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:
- (i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Sundry Creditors and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under Loans and Advances. The Company is contesting the matter with the concerned authorities.
 - (ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

5 Contingent Liabilities not provided for:

(i)	Cheques discounted with banks	..	..	..	4,53.83	2,20.69
(ii)	In respect of claims made against the Company not acknowledged as debts by the Company					
-	Sales tax matters	..	..	..	28,52.96	26,89.01
-	Excise matters	..	..	..	4,38.97	4,38.97
-	Service tax matters	..	..	..	1,29.20	1,29.20
-	Labour matters	..	..	..	61,96.82	51,50.93
-	Other legal matters	..	..	..	10,63.57	10,63.57
	which net of current tax amount to -	..	..	..	71,33.38	63,25.42
(iii)	Taxation matters in respect of which appeals are pending					
-	Tax on matters in dispute	..	..	..	182,32.84	127,65.57
-	Other consequential matters (net of tax)				—	3,74.39
(iv)	Guarantee given to the Customs authorities				2,00.00	2,00.00
(v)	Based on the data obtained by Government, it had directed BSL to pay a tentative amount of Rs. 49.29 lakhs along with interest due thereon into the Drugs Prices Equalisation Account (DPEA) under the Drugs (Prices Control) Order, 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by BSL. BSL had filed its reply contending that no amount is payable into DPEA.					

Notes:

Future cash outflows in respect of (i) above are dependant on the return of cheques by banks.

Future cash outflows in respect of (ii), (iii) and (v) above are determinable on receipt of decisions / judgements pending with various forums / authorities.

Future cash outflows in respect of (iv) above are dependent on the future performance of the obligation by BSL.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

		Rupees in lakhs	Previous Year Rupees in lakhs
6	Uncalled liability on partly paid shares:		
-	in Hill Properties Limited	0.12	0.12
	Note:		
	Future cash outflow is dependent on the call to be made by Hill Properties Limited.		
7	Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	35,06.97	4,60.77
8	Fixed Assets include the following investments representing ownership of residential flats :		
-	5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
-	10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.	2.00	2.00
-	10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited.	48.13	48.13
-	5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.	23.62	23.62
-	10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.	33.31	33.31
-	20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited.	45.59	45.59
-	5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.	67.00	67.00
-	20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.	19.32	19.32
9	Directors' Remuneration		
	Salaries	6,53.47	4,95.16
	Payments under the long-term incentive plan	54.05	59.07
	Perquisites	9.86	8.06
	Contribution to provident and superannuation funds	83.11	70.30
	Commission to non whole-time Directors	42.78	39.45
	Directors' sitting fees	13.40	13.20
		<u>8,56.67</u>	<u>6,85.24</u>
-	excludes contribution to gratuity fund, which is based on an actuarial valuation and the amount recognised as expense for the year under the long-term incentive plan.		
	Pension to past Directors	5.23	5.23
10	The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2011 and the provision based on the figures for the remaining nine months up to 31st December, 2011, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2011 to 31st March, 2012.		
11	(a) Other income in Schedule 14 includes profit on sale / redemption of long term investments Rs. 11.90 lakhs (Previous year - Rs. 1.81 lakhs profit on sale / redemption of long term investments and exchange gain (net) Rs. 1,75.08 lakhs).		
	(b) Miscellaneous expenses in Schedule 16 in the current year include exchange loss (net) Rs. 6,07.86 lakhs.		
12	The recurring expenditure on research and development charged off to revenue amounts to Rs. 3,82.79 lakhs (Previous year - Rs. 4,43.39 lakhs).		
13	"Reimbursement of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,00.37 lakhs (Previous year - Rs. 2,63.35 lakhs), from Stiefel India Private Limited Rs. 14.50 lakhs (Previous year - Rs. 13.85 lakhs) , from GlaxoSmithKline Pte Limited Rs. 59.86 lakhs (Previous year - Rs. 59.41 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Nil (Previous year - Rs. 14.51 lakhs), from GlaxoSmithKline Service Unlimited Rs. 23.95 lakhs (Previous year - Nil) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 10,04.34 lakhs (Previous year - Rs. 8,95.89 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.		

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

				Rupees in lakhs	Previous Year Rupees in lakhs
14	Exceptional items :				
	(i) Expenses on rationalisation initiatives mainly relating to a manufacturing site				
	- Voluntary retirement scheme	..	..	(9,12.62)	—
	- Others	..	..	(14,27.90)	(2,20.47)
	(ii) Provisions for Government's demand in respect of Betamethasone bulk drugs and formulations	..	..	(300,54.82)	—
	(iii) Actuarial gain/(loss) on employee benefits	..	..	1,41.20	(11,96.08)
	(iv) Provision made on account of revised gratuity limits	..	..	—	(12,33.52)
	Taxation on the above				
	Current tax for the year and for earlier years (net)	..	..	119,97.47	73.66
	Deferred tax for the year and for earlier years (net)	..	..	1,81.10	8,07.05
				(200,75.57)	(17,69.36)

15 The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are set out in note 23 of notes to the financial statements of the Company. Since there are no employees in BSL, the disclosures for consolidated financial statements are the same as those given for the Company.

16 The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

17 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

1 Relationships (during the year):

(i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders *

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham plc, U.K.

Wellcome Limited, U.K.

Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

* no transactions during the year

(ii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

Laboratoire GlaxoSmithKline S.A.S., France

GlaxoSmithKline Pharmaceutical Sdn Bhd, Malaysia

GlaxoSmithKline Export Limited, U.K.

SmithKline Beecham Pharmaceuticals R & D, U.S.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline LLC, U.S.A

GlaxoSmithKline Limited, Kenya

Stiefel India Private Limited, India

Glaxo Wellcome Ceylon Ltd., Sri Lanka

US Pharmaceuticals, U.S.A.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.N. Roy (w.e.f 4th November, 2011)	Mr. R. Bartaria
Mr. C.T. Renganathan	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. D. Sundaram	Mr. R. Krishnaswamy (w.e.f 16th March, 2011)
Dr. H.B. Joshipura	Mr. S. Harford *
Mr. H. Buch	Dr. S. Joglekar
Mr. K. Hazari (w.e.f 1st August, 2011)	Mr. Sunder Rajan
Mr. M.B. Kapadia	Mr. S. Khanna
Mr. M.K. Vasanth Kumar (up to 1st August, 2011)	Mrs. S. Patel (up to 23rd May, 2011)
Mr. N. Kaviratne	Mr. V. Narayanan
Mr. P. Bhide	Mr. V. Thyagarajan

* no transactions during the year

2 The following transactions were carried out with the related parties in the ordinary course of business.

Rupees in lakhs

(i) Dividend paid to parties referred to in item 1(i) above:

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

2011	2010
121,94.10	91,45.58
23,52.00	17,64.00
13,44.00	10,08.00
12,76.90	9,57.67

(ii) Details relating to parties referred to in items 1(ii) above:

Rupees in lakhs

1	Purchase of materials/finished goods
2	Sale of materials/finished goods
3	Sale of fixed assets
4	Expenses recharged to other companies
5	Research and development recoveries
6	Expenses recharged by other companies
7	Manufacturing charges recovered
8	Consignment sales commission received
9	Clinical research and data management recoveries
10	Central Value Added Tax credits availed on behalf of a related party (net)
11	Employee benefits transferred to a related party
12	Outstanding (payables)/receivables at the year end (net) #

Transactions with the above parties are accounted in the respective current accounts.

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iii) Disclosure in respect of material transactions with parties referred to in item 1(ii) above:

Rupees in lakhs

	2011	2010
(a) Purchase of materials/finished goods		
GlaxoSmithKline Asia Private Limited, India	129,79.44	54,02.81
GlaxoSmithKline Export Limited, U.K.	98,61.95	87,33.51
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	2,83.98	5,11.72
SmithKline Beecham Private Limited, Sri Lanka	3,21.92	1,58.06
GlaxoSmithKline Trading Services Limited, Ireland	21,92.40	45,58.48
(c) Sale of fixed assets		
GlaxoSmithKline Services Unlimited, U.K.	74.91	—
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	10,15.78	9,61.48
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	66.25	2,80.39
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	11,07.78	9,88.17
(g) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India	1,37.01	1,92.93
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	48.94	51.26
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium	19,36.41	15,78.23
GlaxoSmithKline Services Unlimited, U.K.	21,59.76	24,43.56
(j) Central Value Added Tax credits availed on behalf of a related party (net)		
GlaxoSmithKline Asia Private Limited, India	4,58.70	—
(k) Employee benefits transferred to a related party		
GlaxoSmithKline Asia Private Limited, India	85.46	—
(l) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India	(16,98.94)	(12,91.09)
GlaxoSmithKline Consumer Healthcare Limited, India	8,97.34	6,58.32
GlaxoSmithKline Biologicals S.A., Belgium	(15,61.33)	26.40
GlaxoSmithKline Export Limited, U.K.	(37,70.22)	(17,97.29)
GlaxoSmithKline Trading Services Limited, Ireland	25.78	4,12.60
GlaxoSmithKline Services Unlimited, U.K.	3,21.39	8,89.38
GlaxoSmithKline Pakistan Limited, Pakistan	—	36.40
SmithKline Beecham Private Limited, Sri Lanka	—	1,11.15

(iv) Details relating to persons referred to in item 1(iii) above:

Rupees in lakhs

	2011	2010
1 Remuneration/commission/sitting fees	13,35.37	10,13.01
2 Payments under the long-term incentive plan	91.00	96.42
3 Interest income on loans given	0.93	1.68
4 Rent for residential flat	1.14	0.79
5 Outstanding loans receivable	17.51	40.16

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(v) Disclosure in respect of material transactions with persons referred to in item 1(iii) above:

		Rupees in lakhs	
		2011	2010
(a) Remuneration/commission/sitting fees			
Dr. H.B. Joshipura		3,13.06	2,55.67
Mr. M.B. Kapadia		1,92.43	1,54.17
(b) Payments under the long-term incentive plan			
Dr. H.B. Joshipura		20.37	23.78
Mr. M.B. Kapadia		14.15	15.12
Dr. A. Banerjee		11.47	11.62
(c) Interest income on loans given			
Dr. A. Banerjee		—	0.24
Mr. H. Buch		0.23	0.24
Mr. M.K. Vasanth Kumar		0.31	0.52
Mr. R. Bartaria		0.19	0.19
Mr. S. Khanna		0.17	0.22
(d) Rent for residential flat			
Dr. A. Banerjee		1.14	0.79
(e) Outstanding loans receivable			
Mr. H. Buch		7.73	7.86
Mr. R. Bartaria		6.17	6.26
Mr. S. Khanna		3.61	4.77

18 The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet are as follows:

		Rupees in lakhs						
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	Australian Dollar	UAE Dirham	Swiss Franc
Receivables	1.64 (2,03.91)	10,03.56 (12,84.55)	4,28.85 (1,16.24)	— (2.00)	1.52 (0.31)	— —	0.18 —	29.33 —
Payables	14,56.95 (9,04.21)	50,97.13 (19,20.59)	42.40 (73.80)	2.49 (2.24)	— —	29.32 (26.96)	— —	— —

(Figures in brackets pertain to the year 2010)

19 Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:

(i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.

(ii) Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 16.

20 Amount recognised as expense for the year under the long-term incentive plan is Rs. 3,33.16 lakhs (Previous year - Rs. 1,29.14 lakhs). The total carrying amount of the corresponding liability at the year end is Rs. 4,70.51 lakhs (Previous year - Rs. 3,06.43 lakhs).

Schedules to the Consolidated Financial Statements — continued

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 Earnings per share

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:

			Previous year
Profit after taxation and before exceptional items	Rupees in lakhs	629,34.32	578,26.52
Profit after taxation	Rupees in lakhs	428,58.75	560,57.16
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	74.30	68.27
Earnings per share (Basic and Diluted)	Rs.	50.60	66.18
Face value per share	Rs.	10	10

22 Current taxation represents payments in excess of provisions of Rs. 2504,09.08 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation. (Previous year - Provision for taxation represents provisions in excess of payments of Rs. 2303,70.82 lakhs and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation).

23 In the previous year fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs.

24 The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements", notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

25 Previous year's figures have been regrouped wherever necessary.

Signatures to the Schedules 1 to 17 which form an integral part of the Consolidated Financial Statements.

For Price Waterhouse & Co.
Firm Registration No. 007567S
Chartered Accountants

Asha Ramanathan
Partner
Membership No. 202660
Mumbai, 16th February, 2012

For and on behalf of the Board

Chairman	D. S. PAREKH
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Stars in the brand portfolio

The star of the Mass Specialty segment, Augmentin became the single largest of all pharma brands. Calpol, the antipyretic brand remains the most widely used drug in its class.



GSK India now has a presence in over 90% of the dermatology space. The Stiefel portfolio of skincare brands has reinforced the comprehensive GSK pipeline in this segment.

According to WHO, over 30 million people suffer from respiratory difficulties and confirmed asthma. For this large section of people, GSK has now created its Respiratory Division PRIDE.

Original products from the GSK pipeline like Votrient for renal cell carcinoma have set new standards for the Indian market.

GSK India's thrust on preventive health is optimized by the success of its rotavirus vaccine, which also follows the tiered-pricing formula. This single vaccine has incidentally notched up a record of over 100 million doses worldwide.

Cervarix, the cervical cancer vaccine was also made more affordable by further price reduction.

Synflorix, an original from GSK for pneumococcal diseases, is the latest vaccine launched at an India-friendly price and it will address the problem of child mortality in this critical segment.

Nurturing scientific capability

GSK India received approval for 10 new products and 2 INDs (Investigational New Drugs). This will enable timely access to innovative therapeutic options. Additionally, to support the R&D efforts of GlaxoSmithKline, the company submitted 7 global clinical trial applications to CDSCO, and has been granted approval to conduct 4 studies through the Clinical Operations team in India.

Dr. Duncan Judd, Senior Manager, Platform Technology & Science, Computational & Structural Chemistry, has lauded the efforts of the team at the Thane R & D Dept., acknowledging that it has made 'a major impact on the GSK drug discovery program worldwide'.

All this work is in line with the country's vision of making India one of the leading destinations for end-to-end drug discovery and innovation with required world class infrastructure, international quality manpower for R&D and world class quality processes.

On the manufacturing front, the Nashik site continues to deliver Albendazole tablets to WHO as part of the Lymphatic Filariasis eradication program.



Slew of industry recognitions

In 2011 GSK India received some of the most coveted industry awards.

These are tokens of excellence and speak for the corporate values enshrined in the company's DNA.

The list includes:



- Most Respected Company from 'Businessworld'



- Indian Vaccine Market Company of the Year Award- Frost & Sullivan



- Special Commendation- Good Corporate Citizen Award 2011-
Bombay Chamber of Commerce



- Pharma / Life-Science Supply Chain Excellence Award presented at the
5th Express, Logistics and Supply Chain Conclave

Network for training and development

Capacity building is one of the important focus areas and the Company has adopted several training and development programmes to develop and enhance people skills. In its commitment to recognize and motivate individuals and teams, the Company has rewarded over 300 employees with the AAA award. (Acknowledge, Appreciate, Applaud)

On the sales training front over 44,000 man days of classroom training have been invested to enhance Disease-Product Knowledge-Selling skills.

Given the robust growth plans, ramp-up of sales personnel continued with over 600 new front-line sales personnel being inducted into the workforce last year. Significantly, a new Respiratory team was created by hiring experienced resources. As a result, the company had a staff strength of 5055 employees in December 2011, compared to 4338 employees at the end of 2010.



The AAA award has valorized some 300 employees for living up to the GSK mission and values.



Links in the community welfare chain

GSK India, is focused on improving public health by taking its corporate responsibility to a community level in meaningful ways.

GAVS, in collaboration with Nirmaya Health Foundation runs a Tribal health care project in 115 villages covering a population of over 1 lakh for preventive and curative health care. GAVS in partnership with the Kherwadi Social Welfare Association (KSWA) has also provided vocational training to 875 tribal youths in this underserved district.

The Company continued its support to the Institute for Indian Mother and Child (IIMC), a non – government organization and reached more than 1.30 lakh patients including pregnant, lactating, weaning mothers and malnourished children in Kolkata.

The Sri Chaitanya Seva trust was supported for cancer screening camps and over 85 camps were conducted. 139 Patients who were detected with cancer have been treated.

The Bangalore Hospice Trust, Karunashraya was supported with donations of medicines for care of critically ill cancer patients.

In collaboration with Pratham, an NGO, the Company runs shelter homes in Behraich (U.P) and Jodhpur (Rajasthan) for 92 underprivileged and vulnerable children who were earlier exploited as child laborers. In these shelter homes, besides education and health, the focus is on holistic development.

The Company also supported 1000 underprivileged girls through project Nanhi Kali for primary education.

Among other new initiatives taken during the year is the support to the Paraplegic Foundation in Mumbai for rehabilitation of severely orthopedically disabled lower socio-economic class patients.

The installation of Solar photovoltaic technology to facilitate night study was completed in a residential school in Allahabad.

Another regional project which continued the support to mentally challenged children for special education is run through the Ashirwad special education school, New Delhi.

GSK Plc continued its efforts in strengthening the immunization infrastructure in 5 Health Posts of Mumbai slums with PATH, an international development organization. “The Personal Hygiene and Sanitation Education” (PHASE) program supported by GSK Plc was implemented successfully this year as well, through Pratham, an NGO working towards children's right to education.





Helping people 'do more, feel better and live longer'



GlaxoSmithKline

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