

Breaking out.  
Striving to create new momentum



GlaxoSmithKline Pharmaceuticals Limited

Annual Report for the year ended 31st December 2009



## A word from the Managing Director



The continued focus on the strategy initiatives outlined for GSK India in 2007 has yielded results, with growth during the course of the year accelerating and a build up of momentum. Products launched in the last three years remain ahead of plan, apart from making a significant impact on the healthcare needs of the country. Rota-viral diarrhea vaccine ran ahead of plan in its first year and provided protection to a number of children from rotavirus diarrhea, one of the leading causes of infant mortality. With Tykerb, GSK India provided solutions for refractory breast cancer, again one of the leading causes of mortality among women. During the course of the year, GSK India also brought to market Cervarix, the first vaccine with a potential to prevent cervical cancer caused by certain strains of viruses. Building new capabilities remained a new focus area with entry into cardiovascular therapies, with Benitec making steady progress.

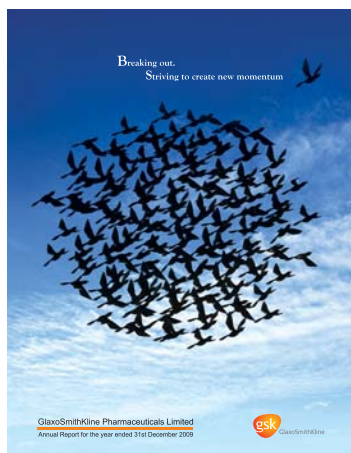
GSK India remains committed to strengthening and investing behind the resource base with further additions of 202 sales personnel in the current year.

Initiatives for fulfilling the requirements of multiple emerging customer segments such as rural, were continued to be progressed and rolled out. This will enable us to service the needs of the increasing number of patients.

GSK India's commitment to bring state of the art technology in the areas of manufacturing of products is being reinforced with upgradation of sites, commissioning of new lines and a slew of energy conservation and environment friendly measures.

Consistent with GSK India's philosophy of investing in the community in which it operates, the company has increased investments behind a number of projects in the area of Corporate Social Responsibility.

I am happy to share with you that the various initiatives that GSK India had undertaken in the last couple of years are now coming to fruition and a perusal of the following pages will indicate to you the momentum that is being built on the same.



The year gone by has seen GSK India step up the quest for faster growth and improved quality of performance.

Brushing aside fears of a global slow-down, we at GSK India took up the challenge of leading the way with innovative products and fresh marketing initiatives.

We enhanced our people strengths and have put in place several initiatives which will help us to explore new and promising opportunities in the growing Indian economy.

Our cover attempts to capture this management philosophy at GSK which will help to improve the quality of life by enabling people 'to do more, feel better and live longer'



## Adding energy to the synergy of growth

Many of our strategic Business Units have leveraged on their therapeutic domain knowledge and capabilities. This has helped to create a sustained growth in the impact which GSK India brands have made on the healthcare needs in the country, in the year gone by.

Consistent with our focus on preventive health, the vaccine franchise outperformed the market with the rota-viral diarrhea vaccine (Rotarix) recording significant acceptance among doctors. From public health standpoint, rota-viral diarrhea is one of the biggest causes of infant mortality in India and GSK India has successfully made an impact in this area.

The Dermatology products have similarly built on a strong foundation and continue to be leaders in providing therapeutic solutions in this area. Specifically, the solutions in the antifungal area have been accorded leadership by the dermatologist community through the highest number of prescriptions.

The steroid portfolio and GSK India's antiviral brand continue to be accepted as a leading solution in this area.

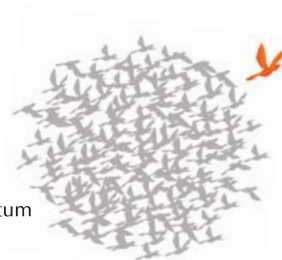
In the therapeutic area of cardiology, diabetes, hypertension, asthma and COPD, GSK India was able to strengthen its impact through strong education updates resulting in sustained acceptance of our newer solutions in these therapies.

The mass market segment with a maximum potential of impacting healthcare, and a traditional area of strength for GSK India, continues to grow on the significant trust that has been built up by GSK India in its brands over the years.

Your company also demonstrated an increase, ahead of the market in the year gone by.



Breaking out. Creating new momentum



## Developing innovative new product portfolios



Pursuant to the strategy of broad basing GSK India's capabilities across therapies, a number of products were launched in the last couple of years. These included Tykerb for refractory breast cancer, Cervarix for cervical cancer and Arixtra, an antithrombotic agent, among others. These new products have gained significant acceptance among the doctors and patients in this short time, testifying their efficacy and their ability to impact patient health.

Your company increased its investments in customer education and contact during the year. To enable the promotion of our products to a larger set of customers, GSK India added 202 new frontline sales personnel, in addition to the 70 already added in 2008.

The spend behind education to customers on the company's products was also substantially increased, given the number of new products in new therapeutic areas that were launched.

GSK India continued to help in mitigating the significant unmet need for healthcare in rural areas by continuing to increase contact with physicians in these geographies.



Breaking out. Creating new momentum



## Board of Directors

(As on 15.02.2010)

### Chairman

D. S. Parekh

### Vice-Chairman

V. Thyagarajan

### Managing Director

Dr. H. B. Joshipura

### Directors

P. Bains (*upto 27.07.09*)

R. R. Bajaj

Dr. A. Banerjee

M. B. Kapadia

N. Kaviratne (CBE)

V. Narayanan

P. V. Nayak

A. M. Nimbalkar (*w.e.f 27.07.09*)

Dr. M. Reilly (*upto 27.07.09*)

R. C. Sequeira

D. Sundaram (*w.e.f 27.07.09*)

### General Manager - Administration & Company Secretary

A. A. Nadkarni

### Factories

– 2<sup>nd</sup> Pokhran Road, Thane

– Ambad, Nashik

### Bankers

Citibank N.A.

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

Crawford Bayley & Co.

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- 44655201/44655148

Email : [satheesh@karvy.com](mailto:satheesh@karvy.com)

### Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Telephone: 022 - 24959415/434

Fax: 022 - 24981526

Email: [ajay.a.nadkarni@gsk.com](mailto:ajay.a.nadkarni@gsk.com)

## Management Team

### Managing Director

Dr. H. B. Joshipura

### Senior Executive Director

M. B. Kapadia

– Finance

– Corporate Communications,  
Secretarial & Administration

### Executive Directors

Dr. A. Banerjee

– Technical

R. C. Sequeira

– Human Resources

### Executive Vice-Presidents

Dr. S. Joglekar

– Medical & Clinical Research

M. K. Vasanth Kumar

– Supply Chain

### Vice-Presidents

R. Bataria

– Pharmaceuticals

H. Buch

– Pharmaceuticals

S. Khanna

– Finance

S. Patel

– Legal & Corporate Affairs

C. T. Renganathan

– Pharmaceuticals

### General Manager

S. Rajan

– Corporate Communications

### Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Telephone: 022 - 24959595

Fax: 022 - 24959494

Website: [www.gsk-india.com](http://www.gsk-india.com)

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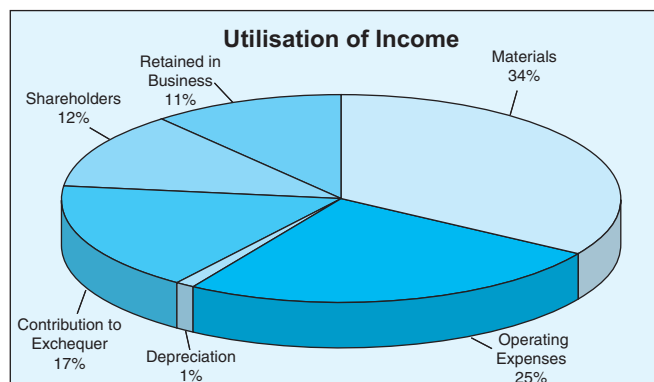
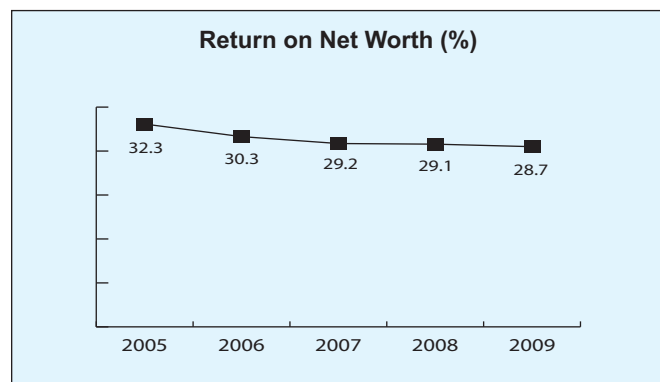
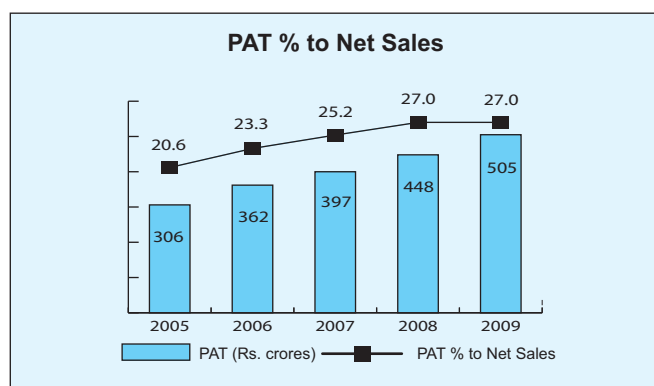
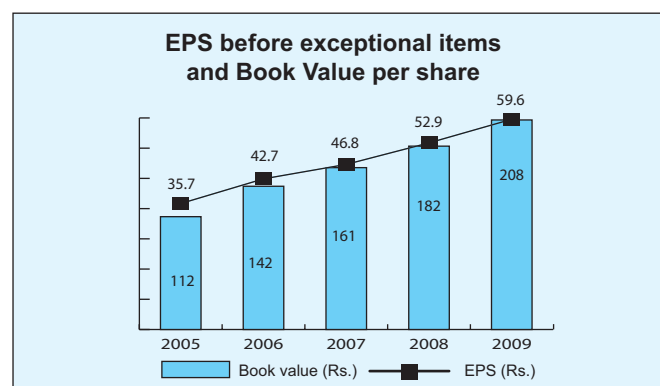
## Performance Summary

(Amounts in Rupees Lakhs)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>PROFIT AND LOSS ACCOUNT</b>										
Sales	1912,77	1751,56	1712,84	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37	934,62
Profit before tax	758,48	679,90	606,73	555,95	477,91	418,24	284,56	196,33	115,58	84,84
Tax	253,59	231,54	209,94	194,23	171,63	152,19	102,70	67,86	40,26	32,52
Profit after tax	504,89	448,36	396,79	361,72	306,28	266,05	181,86	128,47	75,32	52,32
Exceptional items (net of tax)	7,40	128,21	140,87	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)	18,22
Net Profit	512,29	576,57	537,66	545,51	502,08	333,09	172,23	98,06	43,98	70,54
Dividends-equity	254,11	338,81	304,93	262,58	237,17	209,57	74,47	52,13	40,96	29,89
Tax on distributed profit	40,13	57,58	51,82	36,83	33,26	27,39	9,54	6,68	(5,16)	6,75
Retained Earnings	218,05	180,18	180,91	246,10	231,65	96,13	88,22	39,25	8,18	33,90
<b>BALANCE SHEET</b>										
Equity Capital	84,70	84,70	84,70	84,70	84,70	87,32	74,48	74,48	74,48	59,78
Reserves	1674,45	1456,39	1276,21	1110,01	863,91	836,94	593,01	504,80	486,10	334,67
Net Worth	1759,15	1541,09	1360,91	1194,71	948,61	924,26	667,49	579,28	560,58	394,45
Borrowings	5,42	5,65	5,77	5,54	4,85	3,85	2,86	1,98	9,71	34,85
Total Capital Employed	1764,57	1546,74	1366,68	1200,25	953,46	928,11	670,35	581,26	570,29	429,30
Net Fixed Assets	114,17	100,35	92,90	94,46	96,94	91,49	99,38	115,40	137,62	101,37
Investments	190,91	751,87	1333,32	1139,41	913,06	776,82	409,12	162,00	151,68	124,87
Net Current Assets	1459,49	694,52	(59,54)	(33,62)	(56,54)	59,80	161,85	303,86	280,99	203,06
<b>OTHER KEY DATA</b>										
Rupees per Rs.10/- Equity Share	30.00	22.00	18.00	17.00	14.00	13.00	10.00	7.00	5.50	5.00
DIVIDENDS	-	18.00	18.00	14.00	14.00	11.00	-	-	-	-
SPECIAL ADDITIONAL DIVIDEND	30.00	40.00	36.00	31.00	28.00	24.00	10.00	7.00	5.50	5.00
TOTAL	59.61	52.93	46.84	42.70	35.69	30.47	24.42	17.25	10.11	8.75
EARNINGS before exceptional items	60.48	68.07	63.48	64.40	58.51	38.15	23.13	13.17	5.90	11.80
EARNINGS after exceptional items	207.69	181.95	160.67	141.05	112.00	105.85	89.63	77.78	75.27	65.99
BOOK VALUE										
Number of employees	4006	3722	3620	3850	4016	4136	4271	4654	5338	4943

### NOTES

1. The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
2. The Company has bought back and extinguished 26,19,529 equity shares during 2005.
3. Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
4. The Marketing Undertaking of Megdoot Chemicals Limited has demerged into, and Croydon Chemical Works Limited has amalgamated with the Company from 1.1.2002.
5. SmithKline Beecham Pharmaceuticals (India) Limited merged with the Company from 1.1.2001.
6. Figures have been adjusted/regrouped wherever necessary in line with the Accounts, to facilitate comparison.

## Charts



## Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31<sup>st</sup> December 2009

### 1. Results & Dividend for the year ended 31<sup>st</sup> December 2009

	Year ended 31 <sup>st</sup> December 2009 Rs. in Lakhs	Year ended 31 <sup>st</sup> December 2008 Rs. in Lakhs
SALES (Gross) . . . . .	1912,77.03	1751,56.06
Less: Excise duty on Sales . . . . .	42,00.31	91,15.53
NET SALES . . . . .	1870,76.72	1660,40.53
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	758,48.20	679,89.76
Less: Provision for Taxation . . . . .	253,58.88	231,53.94
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS . . . . .	504,89.32	448,35.82
Exceptional Items (Net of Tax) . . . . .	7,39.77	128,21.08
NET PROFIT AFTER TAX . . . . .	512,29.09	576,56.90
Add: Balance brought forward from the previous year . .	882,40.80	759,88.90
Amount available for disposal . . . . .	1394,69.89	1336,45.80
APPROPRIATIONS :		
General Reserve . . . . .	51,22.91	57,65.69
Equity Dividend (including special additional Dividend in the previous year) . . . . .	254,10.90	338,81.20
Distribution Tax on Dividend . . . . .	40,12.67	57,58.11
Balance carried forward . . . . .	1049,23.41	882,40.80

The growth in Net Sales (net of Excise duty) was 12.7% and in Profit after Tax and before Exceptional Items was 12.6% for the year ended 31<sup>st</sup> December 2009. The growth in Gross Sales was impacted on account of lower selling prices as a result of the benefit of excise duty reduction being passed on to the consumer.

### 2. Dividend

The Directors recommend a Dividend of Rs.30 per Equity Share for the year (previous year: Rs.22 per Equity Share and a special additional Dividend of Rs.18 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs.254 crores. The Dividend Distribution Tax borne by the Company will amount to Rs.40 crores.

### 3. Management Discussion and Analysis

(a) Your Company maintained its leadership position in the Pharmaceuticals market with Net Sales registering a growth of 12.7%. Profit Before Tax and Exceptional Items grew by 11.6%. Sales performance in all of the Company's diversified business units i.e. in the mass market and mass specialty segments, dermatologicals, oncology, critical care and vaccines helped to support sales growth. Despite significant investments in sales promotion and field force expansion, Profit before investment income and tax was maintained at 35% of Net Sales.

Cash generation from operations was favourable, driven by the strong business performance and management of working capital. The Company's investment portfolio continues to remain deployed largely in Bank Deposits.

## **(b) Pharmaceuticals Business Performance, Opportunities and Outlook**

Your Company continues to enjoy a leadership position in the categories in which its products are represented. The growth of your Company was marginally better than the growth of the Indian Pharmaceuticals market.

The Mass Markets activity comprising mainly of acute care products grew faster than the market in their represented segments: the rural marketing initiative has picked up momentum. Calpol, an anti-pyretic drug, is now the largest prescribed product in the industry (Source: CMarc - Dec'09) while other products such as Parit, Vozet, Cobadex CZS, Neosporin and Zentel have gained market share in their represented categories.

The Mass Specialty team continued to record good growth. Augmentin, currently the largest selling antibiotic brand in the industry, Arixtra, Zobactin, Supacef and Eltroxin are major growth drivers for this team. Arixtra is the 6th largest brand in the anti-thrombotic market. The focus on Hospital and Tender businesses will help further growth opportunities in these specialities.

The Company's chronic care portfolio includes the Dermatology, Oncology, Cardiovascular, Respiratory and Diabetes segments. Your Company is currently the leader in the Dermatology category with 14% market share and key products such as Betnovate, Zovirax, Zimig and Tenovate are consistently maintaining a leadership position in their respective categories. In Oncology, your Company has supported approximately 400 patients with the drug Tykerb. Lanoxin has consistently maintained a leadership position and launch of Benitec makes the Company's foray in cardiovascular therapy. In diabetes care, Windia is the leader in the Rosiglitazone segment. With the acquisition of distribution rights for the Stiefel (a global dermatologicals company) range of products in India, plans are in hand for market expansion in cosmetic dermatology therapies like acne, sun protection, emollients and moisturizers.

The Vaccines business continued to perform well in the current year. Rotarix, a vaccine for rotaviral diarrhoea is making significant strides. Cervarix, a vaccine for prevention of cervical cancer, was launched during the year. Your Company expects to introduce newer and sophisticated vaccines which will help increase market penetration.

New products launched during the year included Benitec A (Olmesatan in combination with Amlodipine) in Cardiology, Dermocalm (Calamine lotion) in Dermatology, Ventorlin CFC free inhaler (Salbutamol) in Respiratory and Esblanem (Meropenem) in Antibiotic segments.

Your Company continued the search for new Business Development opportunities in high growth therapeutic areas like Cardiology, Diabetes and Oncology and in therapeutic areas in which your Company has well established presence like Dermatology, Gynecology, Antibiotics and Gastroenterology. Going forward, your Company intends to enter into high growth segments such as CNS (Central Nervous System).

Exports recorded a sales turnover of Rs.71.50 crores comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, Mexico, France, Indonesia, Jordan, U.K. and Germany.

## **(c) Risk, Concerns and Threats**

As expected, India has been relatively insulated from the global recession, without any significant impact on the growth of the pharmaceutical industry. 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 Government will consider several representations made by industry associations in framing the new policy. Data Exclusivity/Data Protection remain concern area for the industry.

## **(d) Research & Development and Regulatory Matters**

GlaxoSmithKline continues to be committed to research and development of medicines that will improve the quality of life of people around the world and that truly make a difference to patients. The Clinical Operations group in India, which conducts clinical studies across a



number of disease areas ranging from Cancer, Coronary Heart Disease including acute coronary syndrome, Diabetes, Chronic Liver Disease and Hepatitis C, supports this effort.

Last year, your Company conducted 18 clinical trials, of which 7 were new studies initiated in 2009. In all, over 800 patients participated. The therapeutic area focus for 2009 has been Oncology and Cardiovascular diseases. Your Company has so far trained clinical trial investigators in over 131 hospitals / institutes across India. The quality of work continues to be of a very high order, evidenced by a number of successful internal compliance audits as well as US FDA inspections at two of our investigational sites.

During the year under review, in order to support the launch of new drugs that would benefit and improve the quality of life of Indian patients suffering from various diseases, your Company submitted 7 NDAs (New Drug Applications) for GlaxoSmithKline innovator and in-licensed products and 2 INDs (Investigations New Drug Applications) to the CDSCO (Central Drugs Standard Control Organization), Ministry of Health and Family Welfare, Government of India. Your Company has received approval for 3 NDAs and 1 IND from CDSCO which paves the way for speedy introduction of new drugs. Additionally, to support the R&D efforts of GlaxoSmithKline, your Company submitted 3 global Clinical Trial applications to CDSCO, and was granted approval to conduct these studies in the Indian population through the Clinical Operations group in India.

Efforts towards a speedy review and approval by regulatory authorities for some of these products, particularly a calcium supplement, micafungin, retapamulin and a new indication for Carzec help achieve early access to new and innovative therapeutic options to patients in the country. The Medical Affairs team is adequately resourced to play a pivotal role in communicating cutting edge scientific information to internal and external stakeholders.

**(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, 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 their 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**

With the increasing importance of Human Resources, emphasis has been laid on capability building and towards enhancing the effectiveness of specialised teams. Structured Management Trainee schemes have been set up/revamped to support the different functions. Your Company's employees have played a key role in contributing to the growth and maintaining its status as one of the most reputed companies in India and more specifically in the pharmaceuticals industry.

In reaching out to its employees, the Company has also launched a Wellness and Well being Program, a recognition scheme called 'AAA award' (Acknowledge, Appreciate and Award) to recognize employees who have made good contributions as well as an Empowerment Program for employees to contribute their ideas through small group activities. Talent management continues to be an important area for your Company and key talent amongst the first line managers attended a three Module Leadership and Development program in collaboration with the SP Jain Institute of Management. Other employees were encouraged to avail of an educational assistance policy so as to encourage a learning culture.

Your Company has maintained an amicable relationship with its Unions. During the course of the year, long term settlements have been signed at the two manufacturing sites, Thane and Nashik. Long term settlements were also signed with the Unions representing the field sales force.

Sales training supports the delivering of quality communication to the medical fraternity. A 'Brand Calling Card' prompts Medical Representatives on differentiating their Brand communication to Doctors. This interactive detailing also has a bank of FAQs, Rebuttals, Clinical Papers and other Pathology-Product-Promotion literature for training. A new Development Navigator and Field Coaching Tool enables Performance Tracking and Continuous Improvement from the sales teams.

Your Company had staff strength of 4006 employees as on 31st December, 2009 compared to 3722 employees at the end of the previous year. The additional headcount is on account of new initiatives in the Field to extend our reach.

**(g) Procurement**

To meet the challenges in procurement which surfaced in 2008, strategic contracts helped in capitalizing on the opportunities in key raw material categories. This has ensured procurement efficiency and assurance of supply. Focus on risk based sourcing management received a thrust with the launch of advance procurement initiatives aimed at building capability of vendors. Supplier Quality Management, through a dedicated team launched this year, aims at ensuring best quality of all our ingredients by end to end quality management at vendors' sites. A vendor assessment tool specifically aimed at measuring capability and capacity of vendors was developed and deployed.

Sourcing strategies were developed for spend optimization in the area of marketing promotional support items, promotional printing, air travel and events management.

**(h) Manufacturing**

Your Company's Nashik site commenced manufacture and supply of Albendazole tablets to WHO for the Lymphatic Filariasis eradication programme. Thane site continued to supply Betamethasone and its derivatives to highly regulated markets. Upgradation at Nashik site has been undertaken resulting in significant increase in productivity. There was considerable focus on improving Environment, Health and Safety and a number of activities have been undertaken at both the Nashik and Thane sites during the year.

**(i) Information Technology (IT) & Supply Chain**

As a global initiative to bring down cost and reinvest for further improvements in technology, the IT function has been restructured globally to form IT demand (business facing) and IT supply (technology delivery) functions. The transition to the new model was well planned and executed, with no adverse impact on the business.

A mobile phone based Field activity reporting initiative was successfully piloted across two cities. Another major IT initiative, aimed at risk mitigation and control, was successfully completed during the year. IT enabled external facing web applications were reviewed and the identified risks were mitigated through a well coordinated plan.

In a goods and services tax regime, a Hub and Spoke initiative is being piloted in the distribution network. New ways of working were put in place for better networking of supply sites, both local and global, using global GSK systems and resources to ensure an uninterrupted supply.

**(j) Corporate Social Responsibility**

During the year, your Company undertook several community development projects by continuing to make a positive and significant contribution to the society.

Gramin Arogya Vikas Sanstha (GAVS), the Trust established and supported by the Company continues to operate in predominantly tribal and remote villages around Nashik. The Trust's Mobile Clinic operates in these remote regions covering a distance of over 160 kms each day, visiting around 35 clusters of villages in rotation. GAVS during the year has been successful in reaching out to over 40000 tribal people as direct and indirect beneficiaries, covering six blocks of Peth Taluka. Three Medical centres located in the pre-dominantly remote villages provide primary healthcare services to the tribals, who are socio-economically disadvantaged and marginalized group of people living in very difficult terrain, with very limited access to healthcare services. The project was executed in collaboration with Niramaya Health Foundation.

GAVS, in its on-going education initiative for the Rural Tribal youth, runs three Vocational Training Centers in Peth Taluka, Nashik, in collaboration with partner organization Kherwadi Social Welfare Association. The project was undertaken with the long term objective of imparting specialized skills and making the tribal youth more employable in the areas of computer literacy, tailoring, beauty training, wireman/ electrician training, English speaking, motor training etc. Various batches covering around 700 youth have successfully completed their courses, with over 50% of them currently gainfully employed.

During the year, the Company continued its support to Pratham, a charitable Organization, in running a Shelter home for children under the age of 16. This Shelter home is located in Behraich, Lucknow, which is one of the highest child migrating regions in the country. During the year the shelter home catered to 120 children and provided shelter to 52 needy and vulnerable children. The Shelter home provides education, food and shelter to these children for their holistic development.

Your Company continues supporting the medical healthcare services in Deonar dumping ground, the largest garbage dumping ground in Mumbai. The project involves providing primary healthcare services to children who are rag-pickers and their families who work in and around the dumping ground. The intervention has achieved improved life expectancy of the children working as rag pickers in the dumping ground, while reducing the rate of anaemia and other nutritional deficiencies and general ailments in the community.

Donation of essential medicines / products for humanitarian causes was continued with, while also continuing to support ISKCON Foundation's Mid-Day Meal project in Mumbai for municipal school children by way of Cash Donation.

Your Company also undertook new projects for capacity building in Kolkata. It supported Institute of Child Health, a charitable organisation, by providing donation to set up a technically sound NICU step down Unit for its 150 bedded hospital, benefiting increased number of infants from economically weaker section. Your company also extended its support to Indian Institute for Mother and Child, a voluntary organization, committed to promote child and maternal health and literacy. An annual financial support was provided to the organization to run its on-going medical programs benefiting over 1 lakh poor people.

As part of its regional CSR program, your Company supported smaller projects in Nashik and New Delhi. The Company also supported St. Jude India Care centre by way of providing infrastructure support to its new centre in Navi Mumbai for cancer afflicted poor children and also donated a dialysis machine to Tamilnadu Kidney Research Association, a Charitable organization supporting economically weak patients in need of dialysis.

The Company also initiated new projects in support of the geriatric population. The first project, your Company initiated was a long term project for supporting annually a 24 X 7 Helpline for senior citizens in Mumbai, run by Dignity Foundation, a voluntary non profit organization. The Helpline provides immediate and emergency support, rescue and relief to elderly people calling at the Helpline. The second project was for providing medical support to the aged in the remote and under developed Khurda district of Orissa. The project envisages support to about 14,000 underserved villagers suffering from debilitating diseases, especially orthopaedic conditions and helping in their rehabilitation.

The Company also took active steps by partnering with the Mumbai Municipal Corporation in spreading awareness of swine flu. There were a number of promotional initiatives that were taken that included release of advertisements, creation of bus panels, posters etc. among other initiatives.

India is increasingly becoming an integral part of GlaxoSmithKline's CSR initiatives. During the year, our parent fulfilled its plans of up scaling its efforts in India and building a new manufacturing production line in India that would help substantially towards helping eliminate Lymphatic Filariasis (LF) by 2020. The Global Community partnerships project, Personal Hygiene and Sanitation Education (PHASE) has also been successfully launched during the year in India covering 16 municipal schools in Mumbai's Deonar Dumping ground and Dharavi.

#### **(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**

##### **Resignation**

Mr. Peter Bains and Dr. Mark Reilly resigned as Directors from 27th July 2009. The Board places on record its appreciation of the valuable services rendered during their tenure as Directors and for their contributions to the deliberations of the Board.

##### **Appointment**

The Board of Directors has appointed Mr. D. Sundaram as Non-Executive Independent Director of the Company with effect from 27th July 2009, in the casual vacancy caused by the resignation of Dr. Mark Reilly. The Board has also appointed Mr. A. M. Nimbalkar as additional Director of the Company with effect from 27th July 2009. A proposal for his appointment as Non-Executive Independent Director is being placed before the Members for approval at the ensuing Annual General Meeting.

Mr. R. R. Bajaj, Mr. M. B. Kapadia and Mr. R. C. Sequeira 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 31<sup>st</sup> December 2009 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.

#### **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, 15<sup>th</sup> February 2010



## Annexure 'A' to the Directors' Report

### I. Conservation of Energy:

Both the factories - Thane and Nashik, intensified their efforts in identifying and implementing Energy Conservation measures. In support of the initiative on Climate Change, the focus is to reduce the Energy Consumption at the sites by using non-conventional Energy sources e.g. Solar heating system and by adopting new Technologies e.g. Variable speed Drive. Usage is closely monitored so as to avoid any wastage and also with a view to reducing the adverse impact of consumption of fossil fuel on the environment. Air, Steam and Nitrogen system leakage audits were carried out at periodic intervals. Thane Plant has undergone a complete energy audit by an external expert – M/s Schneider.

Some of the measures for optimising the usage, undertaken during the year are listed below-

#### Energy Conservation measures taken:

- Energy efficient pumps for cooling water/Boiler
- Replacement of three small air compressors with energy efficient screw compressor
- Installation of variable speed drives for continuous running equipments ( Pumps /FANS/ Compressors)
- Solar hot water system for certain areas of operations.
- Replacement of reciprocating compressor with energy efficient screw compressor for chilled brine plant and chilled water plants.
- Replacement of reciprocating compressor with screw compressor along with complete PSA Nitrogen generating system.
- Installed wind driven turbo ventilator for exhausting air from production building.
- Replaced flame proof tube light fittings with energy efficient CFL fitting in Clean room area.

Apart from the above measures, monitoring of noise levels and re-cycling of waste were carried out. Gaseous emission from boiler chimney was monitored and controlled by ensuring proper combustion efficiency of the equipment.

### A) Power and Fuel Consumption

		Year Ended 31st December 2009	Year Ended 31st December 2008	
1.	Electricity			
	(a) Purchased units	KWH'000	23,065.03	21,189.36
	Total amount	Rs.Lacs	12,48.41	10,37.11
	Rate/Unit	Rs.	5.41	4.89
	(b) Own generation			
	(i) Through DG			
	Units	KWH'000	110.01	194.87
	Units /Ltr of HSD	KWH'000	2.04	2.44
	Cost per unit	Rs.	19.03	15.44
	(ii) Coal		—	—
2.	Furnace Oil, LDO & LSHS			
	Quantity	KL	2,991.17	3,023.80
	Total amount	Rs.Lacs	6,75.11	8,93.06
	Average rate	Rs./KL	22,570.02	29,534.36
3.	Others		—	—

**B) Consumption PU of production**

		Year ended 31st December 2009		Year ended 31st December 2008	
		Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl.Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	Units	5,32,894	78,971	3,52,629	62,049
Furnace Oil, LDO & LSHS	KLtrs	98.44	6.72	71.03	5.75

**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 activities for the “Computational and Structural Chemistry – Molecular Discovery Research” (CSC-MDR) group of GSK R&D, UK. These activities are in the area of very early phase of drug discovery. The work consists of synthesis of monomers (or building blocks) and also synthesis of array compounds. These monomers are used in high throughput chemistry. Array compounds are final molecules, which are directly deposited into GSK’s library of new compounds.

During 2009, CR&D also provided synthesis services to GSK Services Unlimited, UK. The work involved synthesis of certain compounds by novel routes.

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

GSK plc has augmented its technology development capability by upgrading the existing facility at PR&D. This upgraded facility is now operational with fully instrumented laboratory scale and pilot scale equipment for manufacturing of tablets, oral liquids and semisolids. This supports the GSK philosophy of science and risk based approach to ensure that the quality is built into the products.

The facility is supporting local business and GSK plc for new source evaluation, process improvement, technical trouble shooting, pilot scale studies, process understanding and identification of “critical to quality” and “critical to process” parameters. In addition, this facility also supports, new product introduction, product transfers and line extension development. The facility works in collaboration with GSK’s Technical Development facility at Mayenne-France.

**Specific areas in which R&D is carried on by the Company :**

- Pharmaceutical R&D has developed and transferred the technology of topical combination preparation with corticosteroid and tablet formulation containing calcium supplement with vitamins.
- The facility partnered in scaling up environment - friendly coating process for Zinetac 150 tablet to ensure that the aqueous coated product is successfully manufactured.
- This facility played a leading role in transferring the dry granulation manufacturing technology for Albendazole LF tablet at Nashik from GSK France and South-Africa, for WHO’s Global programme to eliminate Lymphatic Filariasis.

**Benefits derived as a result of the above R&D:**

PR&D efforts have helped to introduce new products to grow a diversified business and to deliver more value to the customer and reduce solvent emission. It has also brought out an improvement in processes, product design and operating efficiencies. R&D work has also resulted in improved stability of products and cost reduction.

**Future Plan of Action:**

The Pharmaceutical R&D is planning to exploit the Near-Infrared technology for routine QC release testing to reduce cycle-time and inventory levels.

The company is privileged to have access to various research databases used worldwide and to latest technologies developed by the GlaxoSmithKline Group

Expenditure on R&D:

	Rs. Lakhs
1. Capital	3,34.6
2. Recurring	4,66.8
Total:	8,01.4
3. Total R&D expenditure as a percentage of turn over -	0.42%

#### **Technology Absorption, Adaptation and Innovation:**

- 1) Albendazol facility was created at Nashik to support LF initiative. New facility meets the cGMP requirements & has latest technology like computer controlled compression machines, IBC systems to avoid dust exposure and Electronic tablet counter to fill the bottles.
- 2) Development of Palletizer using innovative techniques to minimise manual handling.
- 3) Innovative cartonators on Ampoule packing lines and strip packing lines to eliminate manual packing and for minimizing ergonomic hazards.
- 4) Development of NIR methods for raw material identification
- 5) Installation of Camera based inspection systems for checking overprinting details on Ampoules

### **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.7150 lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs.35185 Lakhs (which includes amounts spent on import of raw and packing materials and goods for resale aggregating to Rs.17395 Lakhs and Dividend payment of Rs.17167 Lakhs) as compared to Rs.32122 lakhs in 2008. The foreign exchange earned was Rs.12220 Lakhs mainly on account of exports and clinical research and data management as compared to Rs.9628 lakhs in 2008. Details have been given in Notes 20 to 23 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 the 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 twelve 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 eight Non-Executive Directors, of which, six 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

Seven Board meetings were held in the year 2009 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.	18 <sup>th</sup> February	12	11
2.	2 <sup>nd</sup> April	12	9
3.	17 <sup>th</sup> April	12	9
4.	28 <sup>th</sup> April	12	10
5.	27 <sup>th</sup> July	12	8
6.	17 <sup>th</sup> August	12	10
7.	30 <sup>th</sup> October	12	10



- 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 2 <sup>nd</sup> April 2009	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	7	Yes	12*	3	2
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	5	Yes	1	Nil	2
Dr. H. B. Joshipura Managing Director	Executive	7	Yes	1	Nil	Nil
Mr. P. Bains (up to 27.7.2009)	Non-Executive	1	No	Nil	Nil	Nil
Mr. R. R. Bajaaj	Non-Executive & Independent	7	Yes	2	Nil	Nil
Dr. A. Banerjee	Executive	7	Yes	1	Nil	Nil
Mr. M. B. Kapadia	Executive	7	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	5	Yes	5	3	3
Mr. V. Narayanan	Non-Executive & Independent	7	Yes	9	3	2
Mr. P. V. Nayak	Non-Executive & Independent	7	Yes	2	2	2
Dr. M. Reilly (up to 27.7.2009)	Non-Executive	Nil	No	Nil	Nil	Nil
Mr. R. C. Sequeira	Executive	5	Yes	2	Nil	Nil
Mr. A. M. Nimbalkar (w.e.f. 27.7.2009)	Non-Executive & Independent	2	N.A.	Nil	Nil	Nil
Mr. D. Sundaram (w.e.f. 27.7.2009)	Non-Executive & Independent	Nil	N.A.	4	1	2

\* In addition, Mr. D. S. Parekh is Alternate Director on 4 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. M. B. Kapadia and Mr. R.C. Sequeira 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. D. Sundaram**

Mr. Sundaram, 56, is a Commerce Graduate with a Post Graduate in Management Studies from Chennai. He is a fellow of the Institute of Cost and Management Accounts and has attended the Advanced Management Programme at Harvard Business School. Mr. Sundaram joined the Unilever group in India as Management Trainee in 1975 and has held increasingly senior roles within the Unilever group including Accounting, Commercial and Treasury at Mumbai, Finance Officer at Unilever (London) for Africa and Middle East Region, Finance Director and Board Member of Brooke Bond Lipton India Limited and Senior Vice-President (Finance), South Asia and Middle East Group based at London. Mr. Sundaram was appointed as Finance Director and Board Member of Hindustan Unilever Limited and subsequently elevated to Vice-Chairman and was also responsible for Pakistan, Bangladesh and Sri Lanka. Mr. Sundaram was awarded CFO of the year for the FMCG sector by CNBC TV 18 in 2006 and 2009. He has joined TVS Capital Funds Limited as Vice-Chairman and Managing Director from 10<sup>th</sup> July 2009.

He is an Independent Director on the Board of State Bank of India, SBI Capital Market, TVS Electronics Ltd and Member of the Board of Governors of Institute of Financial Management and Research, Chennai. He is the Chairman of the Audit Committee of SBI Capital Market Ltd. He is a Member of Audit Committee of TVS Electronics Ltd and a Member of the Investor Grievance Committee of State Bank of India.

**Mr. A. M. Nimbalkar**

Mr. Ajit Nimbalkar, 65, has a Master's Degree in Political Science & Public Administration from Bombay University. He joined the Indian Administration Service in 1967 and served therein for 37 years. He held a series of increasingly senior positions at the District, State and Central levels. He worked as Joint Secretary/Secretary with two Chief Ministers of Maharashtra in 1983 and 1990-1991. He has also spent several years in the field of Labour and Industrial Relations and has held various positions including working as Additional Secretary, Ministry of Labour, Govt. of India for two years from 1998. Mr. Nimbalkar was appointed as Chairman of Maharashtra State Electricity Board from mid-1991 to 1995, subsequent to which he was appointed as Managing Director of Mahanagar Gas Limited, a joint venture of GAIL, British Gas and Govt. of Maharashtra for around two and half years. Thereafter he was Special Secretary in the Ministry of Home Affairs and then Secretary, Defence Production, Govt. of India. Mr. Nimbalkar retired as Chief Secretary, Maharashtra in May 2004, a position held from October 2002.

**M. 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 Audit Committee and Investor/Shareholders Grievance Committee. He is also a Director in HDFC Asset Management Company Limited and in APW President Systems Limited.

### **Mr. M. B. Kapadia**

Mr. M. B. Kapadia is a member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India. He has been in the service of the Company since May 1987 and has held increasingly senior positions in the Finance and Secretarial functions. He was elevated to the Board in 1996. He is currently Senior Executive Director in charge of Finance, Company Secretarial, Corporate Communications and Administration. He has total work experience of 25 years.

Mr. Kapadia is a Director of Biddle Sawyer which forms part of the GlaxoSmithKline Group Companies in India and is member of the Investor/Shareholders Grievance Committee.

### **Mr. R. C. Sequeira**

Mr. R. C. Sequeira is an alumni of Loyola College, Chennai and XLRI, Jamshedpur and has 26 years of experience in the field on Human Resources with large multinational companies in India. He began his HR career in 1984 as a Management Trainee with Union Carbide India Limited and gained employee relations experience in various positions. He was appointed Personnel Manager in 1990. In 1992, he moved to the HSBC Bank where he handled HR for East and West India and headed Resourcing and Development and later he was appointed HR Manager Asia Pacific, based in Hong Kong. Mr. Sequeira has also held the position of Head of Compensation and Employee Relations with HSBC, India. Mr. Sequeira joined Tata Power Company in 2004 as VP and Head of Human Resources with additional charge for the Company's Corporate Social Responsibility function. He was also on the Tata Group's HR steering Committee. He is a Director of Biddle Sawyer which forms part of the GlaxoSmithKline Group Companies in India. He is also a Director in Hill Properties Limited.

## **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 Directors' 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:

The Audit Committee comprises of Independent and Non-Executive Directors and their meetings were held on 18<sup>th</sup> February, 28<sup>th</sup> April, 27<sup>th</sup> July and 30<sup>th</sup> October, 2009.

Name	Designation	Category of Directorship	Attendance out of four meetings held
Mr. D .S. Parekh	Chairman*	Non-Executive	4
Mr. V. Narayanan	Member	Non-Executive & Independent	4
Mr. R .R. Bajaj	Member	Non-Executive & Independent	4
Mr. P .V. Nayak	Member	Non-Executive & Independent	4
Mr. N. Kaviratne	Member	Non-Executive & Independent	2

\* Upto 15<sup>th</sup> February 2010. Mr. D. Sundaram is appointed as Chairman w.e.f. 15<sup>th</sup> February 2010.

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. S. Parekh, was present at the Annual General Meeting of the Company held on 2<sup>nd</sup> April 2009.



#### 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 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 2009 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	101.40	41.97	55.77	27.37	226.51
Mr. M. B. Kapadia	58.46	26.90	42.35	15.79	143.50
Dr. A. Banerjee	37.72	9.43	15.44	10.18	72.77
Mr. R. C. Sequeira	29.60	8.91	31.45	7.99	77.95

(Rs. in lakhs)

Independent Directors and a Non-Executive Director	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	4.00	11.00
Mr. R. R. Bajaj	5.00	1.50	6.50
Mr. V. Narayanan	5.00	1.70	6.70
Mr. P. V. Nayak	5.00	1.10	6.10
Mr. N. Kaviratne	5.00	0.90	5.90
Mr. V. Thyagarajan	5.00	0.60	5.60
Mr. A. M. Nimbalkar (w.e.f. 27.7.2009)	2.15	0.20	2.35
Mr. D. Sundaram (w.e.f. 27.7.2009)	2.15	-	2.15

# payable in 2010

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.

- d) 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 and Share Value Plan of GlaxoSmithKline plc. During the year, in addition to the above, Dr. H. B. Joshipura, Mr. M. B. Kapadia and Dr. A. Banerjee were paid an amount of Rs. 3,53,782, Rs.17,24,525 and Rs.11,06,733 respectively under the GlaxoSmithKline plc. Share Value 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. Bajaj	Member	Non-Executive & Independent
Dr. H. Joshipura	Member	Executive
Mr. M. B. Kapadia	Member	Executive

During the year under review, the Committee met on the 27<sup>th</sup> July 2009 and all the members 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](mailto: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	5	2	4	1	12
Stock Exchanges	1	-	-	-	1
Shareholders	-	8	1	1	10
Total	6	10	5	2	23

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
2 <sup>nd</sup> April 2009	2008	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai – 400 020	3.00 p.m.
21 <sup>st</sup> April 2008	2007		3.00 p.m.
30 <sup>th</sup> March 2007	2006		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 26 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](http://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**

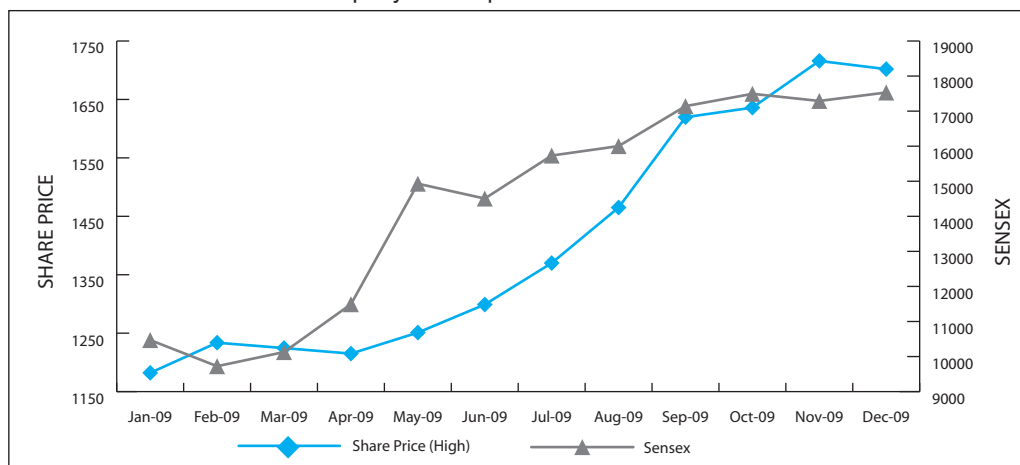
- AGM: Date, Time and Venue 25<sup>th</sup> March 2010 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai - 400 020
- Financial Year
  - i) January to December
  - ii) First Quarter Results – last week of April
  - iii) Half-yearly Results – last week of July
  - iv) Third Quarter Results – last week of October
  - v) Results for the year ending 31<sup>st</sup> December 2010 – March 2011

- Date of Book Closure 12<sup>th</sup> March 2010 to 25<sup>th</sup> March 2010 (both days inclusive)
- Dividend Payment date(s) On or after 25<sup>th</sup> March 2010
- 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<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010.
- 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 2009 is furnished below :

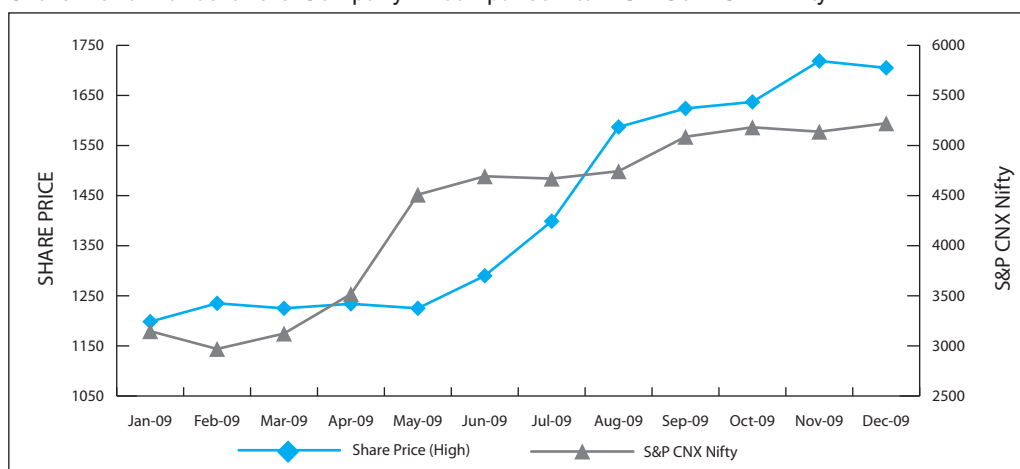
Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of shares)	High (Rupees)	Low (Rupees)	Volume (No. of shares)
January 2009	1,182.10	1,105.00	319047	1,198.40	1,101.40	346623
February 2009	1,233.70	1,133.10	145597	1,235.00	1,133.20	472013
March 2009	1,224.50	1,035.00	118083	1,225.00	1,025.00	872220
April 2009	1,215.00	1,065.65	175639	1,234.00	1,060.00	468627
May 2009	1,251.00	1,070.00	131999	1,225.00	999.80	629901
June 2009	1,299.00	1,150.00	231777	1,290.00	1,130.00	611049
July 2009	1,370.00	1,195.05	168570	1,398.85	1,171.00	793638
August 2009	1,465.00	1,309.05	96865	1,587.00	1,295.00	402347
September 2009	1,619.65	1,421.00	160811	1,624.00	1,405.00	468740
October 2009	1,636.00	1,425.00	134707	1,637.00	1,475.20	872466
November 2009	1,715.95	1,542.10	96470	1,718.75	1,546.00	401615
December 2009	1,701.90	1,574.00	177838	1,705.00	1,552.00	206576



- 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 <sup>th</sup> 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 <sup>th</sup> 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	7.37
2.	Aberdeen Asset Managers Limited A/C Aberdeen International India Opportunities Fund (Mauritius) Limited	3.84
3.	Aberdeen Asset Managers Limited A/C Aberdeen Global - Asia Pacific Fund	1.52
4.	Life Insurance Corporation of India - Market Plus	1.31
5.	General Insurance Corporation of India	1.18
6.	Aberdeen Asset Managers Limited A/C Aberdeen Investment Funds ICVC - Asia Pacific Fund	0.96
7.	Aberdeen Asset Managers Limited A/C Aberdeen Global – Emerging Market Fund	0.86
8.	The Oriental Insurance Company Limited	0.85
9.	Investeringsforeningen Danske Invest	0.84
10.	Life Insurance Corporation of India – Money Plus	0.82

- The distribution of shareholding as on 31.12.2009 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	26788	24.84	333071	0.39
26 to 50	17411	16.14	759105	0.90
51 to 100	23533	21.82	1920267	2.27
101 to 500	37009	34.32	7112332	8.40
501 to 1000	2161	2.00	1506850	1.78
1001 to 10000	809	0.75	1696953	2.00
10001 and above	136	0.13	71374439	84.26
Grand Total	<b>107847</b>	<b>100.00</b>	<b>84703017</b>	<b>100.00</b>

- Shareholding pattern as on 31.12.2009

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	11297047	13.34
FIIIs, NRIs, OCBs	12935044	15.27
Mutual Funds	3329587	3.93
Domestic Companies	990614	1.17
Resident Individuals	13233237	15.62
<b>Total</b>	<b>84703017</b>	<b>100.00</b>

- 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 - 23420818 / 23420828  
Fax No.: 040 - 23420814  
Contact Person(s): Mr. M. R. V. Subrahmanyam /  
Mr. Satheesh H. K.  
Email ID: [satheesh@karvy.com](mailto:satheesh@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

45.35% of the paid-up capital has been dematerialised as on 31.12.2009. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited, who jointly hold 50.67% of the paid-up share capital of the Company, continue to hold their shares in the physical form.
- 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.  
Contact Person(s) : Mr. M. R. V. Subrahmanyam /  
Mr. Satheesh H. K.  
Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.  
Tel.Nos. 2495 9595 Extension 433/415  
Email ID : [ajay.a.nadkarni@gsk.com](mailto: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 31<sup>st</sup> December, 2009, 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.

Mumbai, 15<sup>th</sup> February, 2010

For Price Waterhouse & Co.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

# Auditors' Report

## TO THE MEMBERS OF GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited, as at 31<sup>st</sup> December, 2009, and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, 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 of the company, as on 31<sup>st</sup> December, 2009, and taken on record by the Board of Directors of the company, none of the Directors of the company is disqualified as on 31<sup>st</sup> December, 2009 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 31<sup>st</sup> December, 2009;
    - (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.

For Price Waterhouse & Co.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15<sup>th</sup> February, 2010

## 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 31<sup>st</sup> December, 2009]

1. (a) The company has maintained 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, 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 the book records were not material and have been properly dealt with in the books of account.
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, having regard to the explanation that certain items of inventory and fixed assets purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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 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 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, 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 which have matured and are remaining unpaid as at 31<sup>st</sup> December, 2009. 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, 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.
9. (a) According to the books of account 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 undisputed statutory dues in respect of 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.
- (b) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of income-tax, wealth tax, customs duty and cess which have not been deposited on account of any dispute. The particulars of dues of sales tax, service tax and excise duty as at 31<sup>st</sup> December, 2009 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 Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	13,54.05	Several demands pertaining to the period 1983-1984 to 2008-2009	Appellate Authority – up to Commissioner's level
		9,28.46	Several demands pertaining to the period 1990-1991 to 2002-2003	Tribunal
The Finance Act, 1994	Service tax	2,55.45	January 2001 to December 2002 and May 2006 to January 2007	Tribunal
		1,12.98	October 1998 to December 2000	The High Court of Judicature at Bombay
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
		6,48.39	Several demands pertaining to the period July 1993 to January 2007	Tribunal
		30.12	1977 to 1980	The High Court of Judicature at Bombay

\*Net of amounts paid under protest or otherwise

10. The company has no accumulated losses as at 31<sup>st</sup> December, 2009 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 books of account and records of the company, there has been no default in repayment of dues to any financial institution or bank or debenture holders during the year.
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. The company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, 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 the information and explanations given to us and on an overall examination of the Balance Sheet of the company, in our opinion, there are no funds raised on a 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 issue during the year.
21. During the course of our examination of the books of account and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have not 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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15<sup>th</sup> February, 2010

# GlaxoSmithKline Pharmaceuticals Limited

## Balance Sheet as at 31st December, 2009

Schedule								Rupees in lakhs		Previous year Rupees in lakhs	
<b>SOURCES OF FUNDS</b>											
<b>SHAREHOLDERS' FUNDS</b>											
Capital	..	..	..	..	..	..	1	84,70.30		84,70.30	
Reserves and surplus	..	..	..	..	..	..	2	1674,44.52	1759,14.82	1456,39.00	1541,09.30
<b>LOAN FUNDS</b>											
Unsecured loans	..	..	..	..	..	..	3		5,41.86		5,64.94
<b>TOTAL</b>								<b>1764,56.68</b>		<b>1546,74.24</b>	
<b>APPLICATION OF FUNDS</b>											
<b>FIXED ASSETS</b>											
Gross block	..	..	..	..	..	..	4	289,17.81		282,14.59	
Less : Depreciation	..	..	..	..	..	..		196,37.02		191,74.79	
Net block	..	..	..	..	..	..		92,80.79		90,39.80	
Capital work-in-progress	..	..	..	..	..	..		21,35.73	114,16.52	9,95.45	100,35.25
<b>INVESTMENTS</b>											
<b>DEFERRED TAX</b>											
Deferred tax assets	..	..	..	..	..	..	6	52,27.93		38,70.31	
Deferred tax liabilities	..	..	..	..	..	..		7,58.69	44,69.24	9,10.77	29,59.54
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>											
Inventories	..	..	..	..	..	..	7	253,01.69		228,38.21	
Sundry debtors	..	..	..	..	..	..	8	53,73.47		57,94.38	
Cash and bank balances	..	..	..	..	..	..	9	1672,60.05		906,53.99	
Other current assets	..	..	..	..	..	..	10	29,53.41		43,98.63	
Loans and advances	..	..	..	..	..	..	11	105,53.53		154,17.56	
								<b>2114,42.15</b>		<b>1391,02.77</b>	
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>											
Liabilities	..	..	..	..	..	..	12	316,66.23		271,59.95	
Provisions	..	..	..	..	..	..	13	382,96.09		454,50.74	
								<b>699,62.32</b>		<b>726,10.69</b>	
<b>NET CURRENT ASSETS</b>											
								<b>1414,79.83</b>		<b>664,92.08</b>	
<b>TOTAL</b>								<b>1764,56.68</b>		<b>1546,74.24</b>	
<b>Notes to the Financial Statements</b>											

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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15th February, 2010

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, 2009

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
<b>INCOME</b>			
Sales (Gross) . . . . .		1912,77.03	1751,56.06
Less : Excise duty on sales . . . . .		42,00.31	91,15.53
Net sales . . . . .		1870,76.72	1660,40.53
Other income . . . . .	14	120,22.85	118,55.62
<b>TOTAL INCOME</b> . . . . .		1990,99.57	1778,96.15
<b>EXPENDITURE</b>			
Materials . . . . .	15	692,22.50	647,60.83
Operating and other expenses . . . . .	16	523,92.01	435,11.91
Depreciation . . . . .		16,36.86	16,33.65
<b>TOTAL EXPENDITURE</b> . . . . .		1232,51.37	1099,06.39
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b> . . . . .		758,48.20	679,89.76
Provision for taxation			
Current tax . . . . .		274,35.02	226,72.00
Deferred tax . . . . .		(22,61.14)	(2,33.06)
		251,73.88	224,38.94
Fringe benefits tax . . . . .		1,85.00	7,15.00
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b> . . . . .		504,89.32	448,35.82
<b>EXCEPTIONAL ITEMS (net of tax)</b> . . . . .		7,39.77	128,21.08
(Refer note 15 on Schedule 17)			
<b>NET PROFIT</b> . . . . .		512,29.09	576,56.90
Balance brought forward . . . . .		882,40.80	759,88.90
<b>AVAILABLE FOR APPROPRIATION</b> . . . . .		1394,69.89	1336,45.80
<b>APPROPRIATIONS</b>			
Proposed dividend . . . . .		254,10.90	338,81.20
(Previous year includes a special additional dividend of Rs.152,46.54 lakhs)			
Tax on distributed profit . . . . .		40,12.67	57,58.11
		294,23.57	396,39.31
Transfer to general reserve . . . . .		51,22.91	57,65.69
<b>BALANCE CARRIED FORWARD</b> . . . . .		1049,23.41	882,40.80
Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .		59.61	52.93
Earnings per share (basic and diluted) (Rs.) . . . . .		60.48	68.07
Face value of shares Rs. 10 each. (Refer note 29 on Schedule 17)			
<b>Notes to the Financial Statements</b>	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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15th February, 2010

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, 2009

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	758,48.20	679,89.76
Adjustments for :		
Depreciation	16,36.86	16,33.65
Interest expense	36.60	52.56
Provision / write off for doubtful debts, loans and advances (net)	1,35.76	38.57
Unrealised loss / (gain) on foreign exchange	28.46	(13.10)
Profit on sale / disposal of fixed assets (net)	(38.41)	(17.62)
(Profit) / Loss on sale / redemption of investments (net)	—	5.69
Provision written back as no longer required	(2,72.39)	(50.09)
Interest income	(82,27.49)	(70,54.76)
Dividend income	(18,00.00)	(27,89.72)
<b>Operating profit before working capital changes</b>	<b>673,47.59</b>	<b>597,94.94</b>
Adjustments for :		
Inventories	(24,63.48)	(22,41.90)
Trade and other receivables	(2,81.08)	(38,56.46)
Trade payables and other liabilities	49,66.48	27,73.22
<b>Cash generated from operations</b>	<b>695,69.51</b>	<b>564,69.80</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(177,43.00)	(240,23.21)
<b>Cash flow before exceptional items</b>	<b>518,26.51</b>	<b>324,46.59</b>
Exceptional items:		
Payment for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	(7,12.00)	—
Compensation for surrender of rental premises	1,25.00	—
Payment for completion covenants for sale of the Fine Chemicals business	—	(51.57)
Payments for pricing of formulations	—	(7,53.27)
Non recurring expenses for merger / rationalisation initiatives	(9,09.51)	(4.04)
Government grant through refund of octroi duty	—	3,04.08
<b>Net cash from operating activities</b>	<b>A 503,30.00</b>	<b>319,41.79</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(30,36.66)	(23,87.87)
Sale of fixed assets	56.87	26.83
Sale of property (Exceptional item)	8,92.50	—
Sale / redemption of investments (net) (Exceptional item)	—	785,34.73
(Purchase) / sale / redemption of investments (net)	560,10.22	(58,06.01)
Interest received	97,58.77	55,72.87
Dividend received	18,00.00	27,89.72
<b>Net cash from investing activities</b>	<b>B 654,81.70</b>	<b>787,30.27</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	(23.08)	(11.73)
Interest paid	(34.72)	(32.11)
Dividend paid	(336,67.18)	(303,04.50)
Tax on distributed profit	(54,52.20)	(51,82.30)
<b>Net cash used in financing activities</b>	<b>C (391,77.18)</b>	<b>(355,30.64)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(A + B + C) 766,34.52</b>	<b>751,41.42</b>
Cash and cash equivalents as at 1st January, 2009 (opening balance)	906,38.55	154,97.13
Cash and cash equivalents as at 31st December, 2009 (closing balance)	1672,73.07	906,38.55
<b>Net increase in cash and cash equivalents</b>	<b>766,34.52</b>	<b>751,41.42</b>
NOTES:		
1. Cash and cash equivalents include:		
Cash and bank balances	1672,60.05	906,53.99
Unrealised loss / (gain) on foreign currency	13.02	(15.44)
Total cash and cash equivalents	<b>1672,73.07</b>	<b>906,38.55</b>

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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15th February, 2010

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 . .

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

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

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 2009	Additions	Deductions	As at 31st December 2009	As at 31st December 2008
Capital Reserve	1,65.51	—	—	(c) 1,65.51	1,65.51
Capital Redemption Reserve	2,61.95	—	—	(d) 2,61.95	2,61.95
General Reserve	569,70.74	(a) 51,22.91	—	620,93.65	569,70.74
Profit and Loss Account - Surplus	882,40.80	(b) 166,82.61	—	1049,23.41	882,40.80
TOTAL	1456,39.00	218,05.52	—	1674,44.52	1456,39.00
Previous Year Total	1276,21.41	180,17.59	—	1456,39.00	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) 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.

(d) 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	..	..
<b>TOTAL</b>	..	..

Rupees in lakhs		Previous year Rupees in lakhs	
Long Term	Short Term	Long Term	Short Term
5,16.19	25.67	5,41.86	23.08
5,16.19	25.67	5,41.86	23.08
	5,41.86		5,64.94

### 4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2009	Additions	Deductions	As at 31st December 2009	As at 1st January 2009	For the Year	On Deductions	As at 31st December 2009	As at 31st December 2009	As at 31st December 2008
Freehold land	20.81	—	—	20.81	—	—	—	—	20.81	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	27,49.24	16.84	1.37	27,64.71	12,47.06	63.97	1.28	13,09.75	14,54.96	15,02.18
Leasehold buildings	29,95.40	2,77.72	—	32,73.12	14,20.15	1,09.66	—	15,29.81	17,43.31	15,75.25
Plant and machinery	185,52.76	12,69.09	10,57.33	187,64.52	137,55.23	11,11.37	10,61.31	138,05.29	49,59.23	47,97.53
Furniture and fittings	31,76.19	1,87.93	42.20	33,21.92	23,18.96	2,13.07	33.37	24,98.66	8,23.26	8,57.23
Vehicles	6,75.92	1,44.80	92.26	7,28.46	4,33.39	1,38.79	78.67	4,93.51	2,34.95	2,42.53
<b>TOTAL</b>	282,14.59	18,96.38	11,93.16	289,17.81	191,74.79	16,36.86	11,74.63	196,37.02	92,80.79	
Previous year - Total	266,70.80	19,35.40	3,91.61	282,14.59	179,23.54	16,33.65	3,82.40	191,74.79		90,39.80
Work-in-progress at cost and advance payments against capital expenditure									21,35.73	9,95.45
<b>TOTAL</b>									114,16.52	100,35.25

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 .. .. .

Rupees  
in lakhs

26,13.66

Previous year

Rupees  
in lakhs

26,58.24

###### Unquoted

National Savings Certificate .. .. .

(Lodged with Government authorities)

0.17

0.17

##### IN SUBSIDIARY COMPANY

###### Unquoted

Biddle Sawyer Limited

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

47,61.30

47,61.30

##### 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

Export Import Bank of India

Nil, (Previous year : 200, 5.40% Bonds, 2009 of Rs. 10,00,000 each) .. .. .

—

20,00.00

200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each .. .. .

20,00.00

20,00.00

Housing Development Finance Corporation Limited

Nil, (Previous year : 200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each) .. .. .

—

20,00.34

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

50, 6.20% Bonds, 2010 of Rs. 10,00,000 each .. .. .

5,01.66

5,04.33

20, 9.76% Bonds, 2012 of Rs. 10,00,000 each .. .. .

2,01.14

2,01.54

LIC Housing Finance Limited

Nil, (Previous year : 25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each) .. .. .

—

5,02.02

25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each .. .. .

5,02.16

5,17.45

Nil, (Previous year : 10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each) .. .. .

—

10,13.38

100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each .. .. .

10,01.27

10,01.48

100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each .. .. .

10,01.26

10,01.61

National Hydroelectric Power Corporation Limited

Nil, (Previous year : 9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each) .. .. .

—

9,03.08

National Bank for Agriculture and Rural Development

Nil, (Previous year : 100, 9.65% Non Priority Sector Bonds 2010 IX G Series of Rs. 10,00,000 each) .. .. .

—

10,00.00

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 .. .. .

10,12.06

10,15.79

## Schedules to the Financial Statements — continued

### 5 INVESTMENTS (continued)

					Rupees in lakhs	Previous year Rupees in lakhs
Reliance Industries Limited						
148, (Previous year : 74 Equity Shares of Rs. 10 each fully paid)	..				0.01	0.01
Reliance Capital Limited						
3 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Communications Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
Reliance Infrastructure Limited						
5 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Natural Resources Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
* Less than Rs. 1,000						
Unit Trust of India						
Nil, (Previous year : 10,42,521, 6.60% Tax Free Assured Returns Scheme Bonds, 2009 of Rs. 100 each)	..	..	..	..	—	10,42.52
<b>Unquoted</b>						
National Highways Authority of India						
Nil, (Previous year : 1,00,000, 5.60% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	100,00.00
Nil, (Previous year : 1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	100,00.00
Rural Electrification Corporation Limited						
Nil, (Previous year : 1,97,000, 5.50% 5-Year Capital Gains Bonds, 2011 of Rs. 10,000 each)	..	..	..	..	—	197,00.00
<b>CURRENT</b> (at lower of cost and fair value)						
<b>IN GOVERNMENT SECURITIES</b>						
<b>Quoted</b>						
Government of India Treasury Bills						
Nil, (Previous year : Face value Rs. 80,00 lakhs)	..	..	..	..	—	78,67.71
<b>TOTAL</b>	..				<b>190,91.09</b>	<b>751,87.37</b>
Aggregate of Unquoted Investments - At Book value	..	..	..	..	47,66.97	444,66.97
Aggregate of Quoted Investments - At Book value	..	..	..	..	143,24.12	307,20.40
- At Market value	..	..	..	..	146,32.43	306,84.12
There are no investments purchased and sold / redeemed during the year.						

## Schedules to the Financial Statements — continued

### 6 DEFERRED TAX

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

#### Assets

Liability for Drugs Prices Equalisation Account	..	..	3,56.63	3,56.63
Provision for employee benefits	..	..	13,51.04	19,75.43
Costs of voluntary retirement schemes	..	..	14.67	43.76
Costs of merger	..	..	—	9.40
Provision for doubtful debts, loans and advances	..	..	3,07.93	4,45.22
Provision for pricing of formulations	..	..	2,10.89	2,10.89
Interest received on Income-tax refund considered as taxable under the Income-tax Act, 1961	..	..	22,02.06	—
Expenses allowable for tax purposes when paid	..	..	7,84.71	8,28.98
<b>TOTAL</b>	..	..	<b>52,27.93</b>	<b>38,70.31</b>

#### Liabilities

Depreciation	..	..	6,55.96	8,08.04
Fixed assets held for sale	..	..	1,02.73	1,02.73
<b>TOTAL</b>	..	..	<b>7,58.69</b>	<b>9,10.77</b>
<b>TOTAL</b>	..	..	<b>44,69.24</b>	<b>29,59.54</b>

### 7 INVENTORIES

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

Stores and spares	..	..	3,59.40	3,93.60
Raw and packing materials	..	..	54,91.93	62,34.92
Work-in-progress	..	..	41,85.82	36,90.35
Finished goods	..	..	152,64.54	125,19.34
<b>TOTAL</b>	..	..	<b>253,01.69</b>	<b>228,38.21</b>

### 8 SUNDRY DEBTORS

(Unsecured)

			Doubtful	Good	Doubtful	Good
Outstanding for over six months	..	..	7,21.71	1,04.38	11,39.30	2,18.25
Others	..	..	28.82	52,69.09	2.76	55,76.13
			7,50.53	53,73.47	11,42.06	57,94.38
Less : Provision for doubtful debts	..	..	(7,50.53)	—	(11,42.06)	—
			—	53,73.47	—	57,94.38
<b>TOTAL</b>	..	..		<b>53,73.47</b>		<b>57,94.38</b>

### 9 CASH AND BANK BALANCES

Cash on hand	..	..	4.08	5.73
Remittances in transit (Refer note 2(iii) on Schedule 17)	..	..	5.92	5.92
With scheduled banks				
Current account	..	..	74,65.32	43,67.45
Fixed deposit account	..	..	1574,00.00	848,00.00
Call / margin money deposit	..	..	23,84.73	14,74.89
<b>TOTAL</b>	..	..	<b>1672,60.05</b>	<b>906,53.99</b>

## Schedules to the Financial Statements — continued

### 10 OTHER CURRENT ASSETS

	Rupees in lakhs	Previous year Rupees in lakhs
Interest accrued on investments/deposits . . . . .	26,51.16	40,96.38
Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *	3,02.25	3,02.25
<b>TOTAL . . . . .</b>	<b>29,53.41</b>	<b>43,98.63</b>

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

### 11 LOANS AND ADVANCES

	Doubtful	Good	Doubtful	Good
(Unsecured)				
Advances to subsidiary company . . . . .	—	—	—	30.62
Loans and advances recoverable in cash or in kind or for value to be received				
Sundry deposits . . . . .	—	23,09.19	—	24,47.11
Other advances . . . . .	1,55.43	63,75.64	1,67.81	65,10.18
Less : Provision for doubtful advances . . . . .	(1,55.43)	—	(1,67.81)	—
	—	86,84.83	—	89,87.91
Balance with customs, excise and port trust on current accounts . .	—	17,31.18	—	8,61.86
Current taxation (Refer note 30 on Schedule 17) . . . . .	—	—	—	55,67.79
Fringe benefits tax (Refer note 31 on Schedule 17) . . . . .	—	1,37.52	—	—
	—	105,53.53	—	154,17.56
<b>TOTAL . . . . .</b>		<b>105,53.53</b>		<b>154,17.56</b>

### 12 CURRENT LIABILITIES

Sundry creditors (Refer note 10 on Schedule 17) . . . . .	291,37.53	251,65.93
Subsidiary company . . . . .	3,21.72	—
Unpaid dividend * . . . . .	11,51.80	9,37.78
Unpaid matured fixed deposits * . . . . .	1.32	2.37
Warrants issued but not encashed - Fixed deposit interest *	4.63	4.64
Drugs Prices Equalisation Account . . . . .	10,49.23	10,49.23
<b>TOTAL . . . . .</b>	<b>316,66.23</b>	<b>271,59.95</b>

\* 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) . . . . .	44,51.71	—
For fringe benefits tax (Refer note 31 on Schedule 17) . . . . .	—	17.48
For proposed equity dividend . . . . .	254,10.90	338,81.20
For tax on distributed profit . . . . .	43,18.58	57,58.11
For employee benefits [includes actuarial gain of Rs. 22,10.78 lakhs recognised in the year (previous year - actuarial loss of Rs. 23,49.86 lakhs)] . . . . .	41,14.90	57,93.95
<b>TOTAL . . . . .</b>	<b>382,96.09</b>	<b>454,50.74</b>

## Schedules to the Financial Statements — continued

### 14 OTHER INCOME

					Rupees in lakhs	Previous year Rupees in lakhs
Service income						
Clinical research and data management	..	..	..	..	43,95.92	32,53.69
Other services	..	..	..	..	9,06.70	7,80.16
Expenses relating to the above	..	..	..	..	(45,50.32)	(33,39.68)
					7,52.30	6,94.17
Export related benefits (net)	..	..	..	..	1,21.96	1,56.39
Exchange gain (net)	..	..	..	..	—	2,45.57
Consignment sales commission	..	..	..	..	2,75.65	2,57.30
Rent received	..	..	..	..	56.73	19.17
Profit on sale / disposal of fixed assets (net)	..	..	..	..	38.41	17.62
Manufacturing charges recovery	..	..	..	..	99.69	30.06
Provision written back as no longer required	..	..	..	..	2,72.39	50.09
Others	..	..	..	..	4,14.83	5,93.33
					20,31.96	20,63.70
Treasury income						
Dividend income - Investments other than trade - long term	..				—	2,25.26
- current	..				—	25,64.46
Dividend income from subsidiary company	..	..			18,00.00	—
					18,00.00	27,89.72
Interest income (Gross):						
On deposits with banks	..	..	..	..	57,30.82	27,58.54
On loans	..	..	..	..	19.52	20.52
On investments - Government securities and other than trade						
- long term [net of premium write-off of Rs. 86.06 lakhs (Previous year Rs. 1,24.31 lakhs)]	..	..	..	..	23,71.38	39,58.35
- current	..	..	..	..	85.97	3,03.17
Others	..	..	..	..	19.80	14.18
					82,27.49	70,54.76
Less : Interest expense:						
Security deposits	..	..	..	..	(36.52)	(49.99)
Others	..	..	..	..	(0.08)	(2.57)
					(36.60)	(52.56)
					81,90.89	70,02.20
<b>TOTAL</b>	..				<b>120,22.85</b>	<b>118,55.62</b>
Tax deducted at source :						
On interest	..	..	..	..	11,21.38	4,36.67
Others	..	..	..	..	2,68.52	2,81.80
					13,89.90	7,18.47

### 15 MATERIALS

Raw and packing materials consumed	..	..	..	..	396,66.04	351,86.12
Purchase of finished goods	..	..	..	..	327,97.13	298,07.37
(Increase) / decrease in work-in-progress and finished goods:						
Opening stock						
Work-in-progress	..	..	..	..	36,90.35	29,85.50
Finished goods	..	..	..	..	125,19.34	129,91.53
					162,09.69	159,77.03
Less: Closing stock						
Work-in-progress	..	..	..	..	41,85.82	36,90.35
Finished goods	..	..	..	..	152,64.54	125,19.34
					194,50.36	162,09.69
					(32,40.67)	(2,32.66)
<b>TOTAL</b>	..				<b>692,22.50</b>	<b>647,60.83</b>

## Schedules to the Financial Statements — continued

						Rupees in lakhs	Previous year Rupees in lakhs
<b>16</b>	<b>OPERATING AND OTHER EXPENSES</b>						
	Salaries, wages and bonus	..	..	..	188,05.09		154,30.74
	Contributions to : Provident and pension funds	..	..	..	10,62.62		9,81.17
	Gratuity funds	..	..	..	1,65.77		85.99
	Staff welfare	..	..	..	9,01.12	209,34.60	7,77.17
	Sales promotion	..	..	..		95,02.44	61,44.70
	Selling commission on exports	..	..	..		3.46	11.36
	Stock point commission	..	..	..		9,27.20	8,21.70
	Freight (net)	..	..	..		26,78.95	24,80.44
	Travelling	..	..	..		34,91.40	33,31.81
	Provision / write off for doubtful debts, loans and advances (net)	..	..	..		1,35.76	38.57
	Exchange loss (net)	..	..	..		2,22.92	—
	Manufacturing charges	..	..	..		40,94.46	35,22.53
	Repairs - Buildings	..	..	..	3,33.09		2,27.50
	- Plant and Machinery	..	..	..	11,08.29		11,32.88
	- Others	..	..	..	29.29	14,70.67	20.06
	Consumption of stores and spares	..	..	..		4,01.96	3,31.49
	Power, fuel and water	..	..	..		24,65.64	24,74.55
	Rent	..	..	..		8,72.28	8,66.92
	Rates and taxes	..	..	..		8,51.82	11,13.62
	Printing, postage and telephones	..	..	..		10,70.38	9,44.08
	Sales training, briefing and conference	..	..	..		11,93.25	11,14.29
	Excise duty	..	..	..		(1,87.61)	(4,87.76)
	Insurance	..	..	..		2,34.77	2,71.81
	Remuneration to auditors :						
	Statutory audit fees	..	..	..	35.57		36.24
	In other capacity in respect of :						
	Tax audit fees	..	..	..	6.62		6.74
	Audit of tax accounts	..	..	..	22.06		22.47
	Other services	..	..	..	23.99		25.00
	Reimbursement of expenses	..	..	..	1.23		1.61
					89.47		92.06
	Cost audit fees	..	..	..	4.50	93.97	4.25
	Date-expired stocks	..	..	..		20,15.60	19,68.30
	Commission to non whole-time Directors	..	..	..		36.30	30.33
	Directors' sitting fees	..	..	..		10.00	8.50
	Clinical trial supplies	..	..	..		9,31.02	2,40.99
	Miscellaneous	..	..	..		38,84.99	36,67.52
	Recovery of expenses (net) (Refer note 14 on Schedule 17)	..	..	..		(3,93.90)	(7,95.98)
	Expenses relating to service income (Refer Schedule 14)	..	..	..		(45,50.32)	(33,39.68)
	<b>TOTAL</b>	..	..	..		<b>523,92.01</b>	<b>435,11.91</b>



## 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, 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.

## Schedules to the Financial Statements — *continued*

### 17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

(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.

(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 (except for Provident fund which is charged based on contributions) 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 is the Projected Unit Credit method. The obligations 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 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 Company received a demand for Rs. 71,79 lakhs from the Central Government contained in its orders dated 18th June, 1990 and 16th November, 1990 in respect of prices relating to Betamethasone bulk drugs and formulations therefrom. These orders were challenged by the Company by a writ petition in the Hon'ble High Court at Delhi. After hearing the submissions of the Company, as well as the Government, in the writ petition, the Hon'ble High Court by its judgement and order dated 19th October, 2001, was pleased to set aside the impugned demands raised by the Central Government. The claim to interest made by the Government vide its letter dated 29th October, 1996, demanding interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996 thereby, does not survive. The Hon'ble High Court has also directed that the Company be given an opportunity to present its case with full facts to enable the Central Government to raise a fresh demand. The Company has sent a letter to the Government giving details of the quantities based on which the demand has to be raised as per the judgement of the Hon'ble High Court at Delhi and has intimated to the Government that according to the Company, after considering the set offs which the Company has claimed, the amount payable would be Rs. 18,68 lakhs. The Company had accrued a liability of Rs. 18,68 lakhs of which an amount of Rs. 8,19 lakhs has been paid to the Government in the earlier years. Accordingly, the Company has retained the liability of Rs. 10,49 lakhs in the Balance Sheet.

The Central Government has filed a special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001. The Supreme Court has admitted the said special leave petition, which has come up for hearing and disposal.

- 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

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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. In the meanwhile, the Government of India has filed an application in the Supreme Court praying that the writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from various High Courts. The Supreme Court is yet to hear the transfer petition.

- (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.

#### 4 Contingent Liabilities not provided for:

						Rupees in lakhs	Previous year Rupees in lakhs
(i)	Cheques discounted with banks	..	..	..	..	3,97.41	6,85.69
(ii)	In respect of claims made against the Company not acknowledged as debts by the Company						
-	Sales tax matters	..	..	..	..	29,73.24	32,29.65
-	Excise matters	..	..	..	..	7,98.19	7,98.63
-	Service tax matters	..	..	..	..	2,42.18	2,42.18
-	Labour matters	..	..	..	..	37,41.03	33,75.66
-	Other legal matters	..	..	..	..	8,62.09	8,69.90
	which net of current tax amount to -	..	..	..	..	56,87.90	56,21.42
(iii)	Taxation matters in respect of which appeals are pending						
-	Tax on matters in dispute	..	..	..	..	110,78.74	87,87.48
-	Other consequential matters (net of tax)	..	..	..	..	3,74.39	3,74.39

#### 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) 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	3,80.21	7,32.25
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	Loans and Advances include amounts due from a Director * and an officer of the Company	11.19	15.24
	the maximum amount due during the year was	15.28	18.22
	* Loan granted prior to appointment as a whole time Director.		
9	(a) Directors' Remuneration		
	Salaries	4,36.97	3,80.81
	Payments under the long-term incentive plan	31.85	—
	Perquisites	6.96	6.21
	Contribution to provident and superannuation funds	61.34	52.38
	Commission to non whole-time Directors	36.30	30.33
	Directors' sitting fees	10.00	8.50
		<u>5,83.42</u>	<u>4,78.23</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	3.61	3.61

## 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 .. .. .	512,29.09	576,56.90
	Add / (Deduct) :		
	Directors' remuneration .. .. .	5,83.42	4,78.23
	Depreciation as per the Profit and Loss Account .. .. .	16,36.86	16,33.65
	Depreciation under Section 350 of the Companies Act, 1956 .. .. .	(12,97.23)	(12,58.07)
	Provision / write off for doubtful debts, loans and advances (net) .. .. .	1,35.76	38.57
	Bad debts written off against provision for doubtful debts, loans and advances .. .. .	(5,39.67)	(1.41)
	Profit on sale / disposal of fixed assets (net) .. .. .	(38.41)	(17.62)
	Exceptional items:		
	- Profit on sale / redemption of investments (net) .. .. .	—	(147,13.84)
	- Profit on sale of property .. .. .	(8,92.43)	—
	- Compensation for surrender of rental premises .. .. .	(1,25.00)	—
	Taxation for the year (including on exceptional items) .. .. .	260,97.80	225,69.64
	Net Profit .. .. .	767,90.19	663,86.05
	Maximum remuneration permissible under the Companies Act, 1956 at 10% .. .. .	76,79.02	66,38.61
	Commission to non whole-time Directors (other than in the employment of the GlaxoSmithKline group companies) at 1% .. .. .	7,67.90	6,63.86
	Commission payable for the year restricted to .. .. .	36.30	30.33
10	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 .. .. .	—	—
		—	—
	(b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year .. .. .	—	13.38
	(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 .. .. .	—	0.09
	(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 .. .. .	—	0.09
	(ii) Total Interest accrued during the year and remaining unpaid .. .. .	—	—
	(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. This has been relied upon by the Auditors.

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- 11 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, 2009 and the provision based on the figures for the remaining nine months up to 31st December, 2009, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2009 to 31st March, 2010.
- 12 In the previous year:
- (a) Profit on sale / redemption of investments (net) (Exceptional Item) comprises profit on sale of long term investments amounting to Rs. 132,66.51 lakhs, current investments of Rs. 14,54.07 lakhs and loss on sale of current investments of Rs. 6.74 lakhs.
- (b) Miscellaneous expenses in Schedule - 16 'Operating and Other Expenses' include loss on sale of long term investments Rs. 5.69 lakhs.
- 13 The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,66.82 lakhs (Previous year - Rs. 4,63.69 lakhs).
- 14 "Recovery of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 7,02.62 lakhs (Previous year - Rs. 10,61.83 lakhs), from subsidiary company Rs. 5,12.25 lakhs (Previous year - Rs. 4,13.61 lakhs), from GlaxoSmithKline Pte Limited Rs. 28.03 lakhs (Previous year - Rs. 11.18 lakhs), from GlaxoSmithKline S.A.E Rs. 15.29 lakhs (Previous year - Rs. 14.17 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 25.54 lakhs (Previous year - Rs. 22.26 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 8,89.83 lakhs (Previous year - Rs. 7,27.07 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
15	Exceptional items :						
	(i) Expenses for rationalisation initiatives	..	..	..	..	(10,37.52)	—
	(ii) Profit on sale of property	..	..	..	..	8,92.43	—
	(iii) Compensation for surrender of rental premises	..	..	..	..	1,25.00	—
	(iv) Expenses for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	..	..	..	..	(7,12.00)	—
	(v) Provision for pricing of formulations	..	..	..	..	—	(4,31.28)
	(vi) Profit on sale / redemption of investments (net)	..	..	..	..	—	147,13.84
	(vii) Actuarial Gain/(Loss) on employee benefits	..	..	..	..	22,10.78	(23,49.86)
	(viii) Government grant through refund of octroi duty	..	..	..	..	—	3,04.08
	Taxation on the above						
	Current tax	..	..	..	..	12.52	(1,28.00)
	Deferred tax	..	..	..	..	(7,51.44)	7,12.30
						<u>7,39.77</u>	<u>128,21.08</u>



## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 16 Installed Capacities (per annum)

Class of Goods	Unit	Installed Capacity (a)	
		2009	2008
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	7,150	6,950
Solids including Powders and Ointments	Tonnes	2,225	2,225
Aerosol Cans	Thousands	—	3,000

- (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 and have not been verified by the Auditors, this being a technical matter.
- (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.

#### 17 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	35 (1)	6,83.66 (6,19.87)	15 (23)	34 (199)	2,71.12 (10,11.19)	79 (188)	57,96.18 (47,23.02)	4 (35)	6,90.71 (6,83.66)
Formulations (including Vitamin Feed Supplements)										
Liquids- Orals, Topicals and Parenterals	Kilo litres	1194 (995)	23,36.37 (22,40.99)	6445 (6359)	1163 (1138)	35,59.90 (32,50.39)	7606 (7276)	311,74.79 (289,03.62)	1179 (1194)	28,67.15 (23,36.37)
Antibiotic Vials	Thousands	1885 (1270)	12,39.03 (9,54.97)	5153 (4976)	4631 (5935)	25,61.55 (34,98.06)	10108 (10241)	134,47.46 (129,26.55)	1555 (1885)	9,55.12 (12,39.03)
Tablets and Capsules	Million	1081 (1047)	48,54.76 (50,18.16)	9075 (8707)	665 (556)	116,02.12 (120,04.55)	9542 (9218)	866,56.24 (813,10.35)	1269 (1081)	56,42.56 (48,54.76)
Solids including Powders and Ointments	Tonnes	371 (382)	20,15.70 (24,01.36)	2419 (2257)	854 (965)	44,35.18 (44,62.90)	3251 (3227)	394,32.00 (364,40.07)	381 (371)	22,17.13 (20,15.70)
Vaccines	Thousands	417 (564)	10,01.53 (14,63.75)	- (-)	2456 (1282)	80,53.79 (35,04.86)	1954 (1427)	123,34.51 (83,48.55)	888 (417)	23,47.31 (10,01.53)
Aerosol Cans	Thousands	243 (156)	3,88.29 (2,92.43)	266 (1097)	1203 (222)	14,32.67 (9,86.32)	1228 (1189)	24,35.85 (25,03.90)	472 (243)	5,44.56 (3,88.29)
Purchase of physician samples		- (-)	- (-)	-	- (-)	8,80.80 (10,89.10)	- (-)	- (-)	-	- (-)
TOTAL			125,19.34 (129,91.53)			327,97.13 (298,07.37)		1912,77.03 (1751,56.06)		152,64.54 (125,19.34)

#### 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
18	Break-up of raw and packing materials consumed		
	Raw materials .. .. .	295,18.59	257,36.40
	Packing materials .. .. .	101,47.45	94,49.72
	Note : No single raw or packing material accounts for more than 10% of total consumption	<u>396,66.04</u>	<u>351,86.12</u>
19	Consumption of raw and packing materials	%	%
	Purchased indigenously .. .. .	70.13 278,18.45	70.14 246,78.95
	Imported by the Company (including duty and other charges) ..	29.87 118,47.59	29.86 105,07.17
		<u>100.00</u> <u>396,66.04</u>	<u>100.00</u> <u>351,86.12</u>
20	C.I.F. value of imports in respect of:		
	Raw and packing materials. . . . .	100,88.69	104,83.12
	Goods for resale .. .. .	73,06.08	53,76.82
	Components and spare parts for machinery .. .. .	15.54	17.59
	Capital goods .. .. .	2,22.59	5,26.59
		<u>176,32.90</u>	<u>164,04.12</u>
21	Remittance in foreign currency on account of dividend	<u>2008</u>	<u>2007</u>
	On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. ..	121,94.10	109,74.69
	On 58,80,000 equity shares to Eskaylab Limited, U.K. .. ..	23,52.00	21,16.80
	On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K. .. .. .	13,44.00	12,09.60
	On 31,92,238 equity shares to Castleton Investment Limited, Mauritius	12,76.90	11,49.21
22	Expenditure in foreign currency on account of : (on payment basis)		
	- Travelling .. .. .	92.89	1,05.89
	- Selling commission on exports .. .. .	5.06	6.55
	- Others .. .. .	2,86.88	1,55.59
		<u>3,84.83</u>	<u>2,68.03</u>
23	Earnings in foreign exchange on account of :		
	F.O.B. value of exports including through merchant exporters ..	71,49.78	59,26.71
	Recovery of expenses .. .. .	51.30	65.01
	Clinical research and data management .. .. .	43,95.92	32,53.69
	Research and development .. .. .	2,94.41	2,84.27
	Others .. .. .	3,28.25	98.09
		<u>122,19.66</u>	<u>96,27.77</u>

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 24 Employee Benefits

The disclosures as required as per the revised AS 15 are as under:

##### 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 Company's defined benefit plans include gratuity and post retirement medical. In terms of the Guidance on implementing the revised AS 15, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, the provident fund set up by the Company is treated as a defined benefit plan since the Company has to meet the interest shortfall, if any. However, as at the year end no shortfall remains unprovided for. As advised by an independent actuary, it is not practical or feasible to actuarially value the liability considering that the rate of interest as notified by the Government can vary annually. Further the pattern of investments for investible funds is as prescribed by the Government. Accordingly other related disclosures in respect of provident fund have not been made. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy.

	Rupees in lakhs	Previous year Rupees in lakhs
2 <u>Charge to the Profit and Loss Account based on contributions:</u>		
Superannuation	3,68.50	3,48.96
Employees' pension scheme	2,45.64	2,40.92
Provident fund	4,48.48	3,91.29
	<u>10,62.62</u>	<u>9,81.17</u>

##### 3 Disclosures for defined benefit plans based on actuarial reports as on 31st December, 2009:

	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	32,94.62	30,13.60	25,38.38	20,33.94
Current service cost	1,65.24	50.42	1,11.99	30.69
Interest cost	1,98.77	1,75.49	2,02.81	1,60.79
Actuarial loss / (gain)	(5,19.62)	(9,12.70)	9,36.76	9,06.39
Benefits paid	(3,33.65)	(1,13.80)	(4,95.32)	(1,18.21)
Closing defined benefit obligation	<u>28,05.36</u>	<u>22,13.01</u>	<u>32,94.62</u>	<u>30,13.60</u>
(ii) <u>Change in Fair Value of Assets</u>				
Opening fair value of plan assets	26,13.10		28,54.40	
Expected return on plan assets	1,98.29		2,05.87	
Actuarial gain / (loss)	3,25.63		(16.85)	
Contributions by employer	1,42.13		65.00	
Benefits paid	(3,33.65)		(4,95.32)	
Closing fair value of plan assets	<u>29,45.50</u>		<u>26,13.10</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	28,05.36	22,13.01	32,94.62	30,13.60
Fair value of plan assets as at year end	29,45.50		26,13.10	
Amount not recognised as an asset	0.05		—	
Net (asset) / liability recognised as at year end	(1,40.09)	22,13.01	6,81.52	30,13.60
(iv) <u>Expenses recognised in the Profit and Loss Account</u>				
Current service cost	1,65.24	50.42	1,11.99	30.69
Interest on defined benefit obligation	1,98.77	1,75.49	2,02.81	1,60.79
Expected return on plan assets	(1,98.29)		(2,05.87)	
Net actuarial loss / (gain) recognised in the current year	(8,45.25)	(9,12.70)	9,53.61	9,06.39
Effect of the limit in Para 59(b) of the revised AS 15	0.05		(22.94)	
Total expense	(6,79.48)	(6,86.79)	10,39.60	10,97.87
(v) <u>Asset information</u>				
Government of India Securities	39%		45%	
Corporate Bonds	34%		25%	
Special Deposit Scheme	24%		24%	
Others	3%		6%	
(vi) <u>Principal actuarial assumptions used</u>				
Discount rate (p.a.)	8.20%	8.20%	5.95%	5.95%
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</u>				
<u>Trend rate 1% increase</u>				
Effect on the aggregate of service cost and interest cost		26.36		25.43
Effect on defined benefit obligation		2,41.12		2,53.57
<u>1% decrease</u>				
Effect on the aggregate of service cost and interest cost		(20.68)		(23.34)
Effect on defined benefit obligation		(1,92.91)		(2,78.80)
(viii) <u>Experience adjustments</u>				
Defined benefit obligation	28,05.36	22,13.01	32,94.62	30,13.60
Plan assets	29,45.50		26,13.10	
Deficit / (Surplus)	(1,40.14)	22,13.01	6,81.52	30,13.60
Experience adjustments on plan liabilities	2,19.12	(77.38)	1,99.47	74.05
Experience adjustments on plan assets	3,25.64		(16.85)	
(ix) Expected employer's contribution for the next year	3,00.00	1,32.37	3,00.00	1,39.59

4 The liability for leave encashment and compensated absences as at year end is Rs. 19,01.89 lakhs (Previous year - Rs. 20,98.82 lakhs).

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

## Schedules to the Financial Statements — *continued*

### 17 NOTES TO THE FINANCIAL STATEMENTS (*continued*)

#### 26 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 Bangladesh Limited, Bangladesh

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 Export Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Philippines Inc., Philippines

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Canada Inc, Canada

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline Limited, Hong Kong

Stiefel India Private Limited, India

US Pharmaceuticals, U.S.A.

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

Dr. A. Banerjee

Mr. A.M. Nimbalkar (w.e.f 27th July, 2009)

Mr. C.T. Renganathan (w.e.f 22nd May, 2009)

Mr. D.S. Parekh

Mr. D. Sundaram (w.e.f 27th July, 2009)

Mr. H. Singh (up to 23rd March, 2009)

Dr. H.B. Joshipura

Mr. H. Buch (w.e.f 23rd April, 2009)

Mr. M.B. Kapadia

Mr. M.K. Vasanth Kumar

Dr. M. Reilly (up to 27th July, 2009) \*

Mr. N. Kaviratne

Mr. P. Bains (up to 27th July, 2009) \*

\* no transactions during the year

Mr. P.V. Nayak

Mr. R. Bartaria (w.e.f 23rd April, 2009)

Mr. R.C. Sequeira

Mr. R.R. Bajaj

Mr. R. Limaye (up to 30th April, 2009)

Dr. S. Joglekar

Mr. Sunder Rajan

Mr. S. Khanna

Mrs. S. Patel

Mr. V. Narayanan

Mr. V. Thyagarajan

Mrs. Neeru Nayak (up to 15th October, 2009)

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2009	2008
Glaxo Group Limited, U.K.	121,94.10	109,74.69
Eskaylab Limited, U.K.	23,52.00	21,16.80
Burroughs Wellcome International Limited, U.K.	13,44.00	12,09.60
Castleton Investment Limited, Mauritius	12,76.90	11,49.21

(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)	
	2009	2008	2009	2008
1 Purchase of materials/finished goods	-	-	132,21.19	85,79.71
2 Sale of materials/finished goods	-	-	58,50.74	41,52.38
3 Purchase of Fixed Assets	-	-	31.08	-
4 Expenses recharged to other companies	4,43.57	4,13.61	15,45.73	14,61.02
5 Research and development recoveries	-	-	2,94.41	2,84.27
6 Expenses recharged by other companies	-	-	11,45.65	8,94.83
7 Manufacturing charges recovered	29.69	30.06	70.00	-
8 Consignment sales commission received	1,28.53	1,20.64	1,19.02	1,11.91
9 Clinical research and data management recoveries	-	-	43,95.92	32,53.69
10 Dividend received	18,00.00	-	-	-
11 Outstanding (payables)/receivables at the year end (net) #	(3,21.72)	30.62	(17,60.26)	(1,02.62)

Expenses incurred for acquisition of distribution rights from a third party, of products of Stiefel India Private Limited, a company under common control, amount to Rs. 712 Lakhs

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

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

	Rupees in lakhs 2009	Rupees in lakhs 2008
(a) Purchase of materials/finished goods		
GlaxoSmithKline Asia Private Limited, India	33,00.17	-
GlaxoSmithKline Biologicals S.A., Belgium	19,88.97	30,40.00
GlaxoSmithKline Export Limited, U.K.	78,72.35	54,78.69
(b) Sale of materials/finished goods		
GlaxoSmithKline Pakistan Limited, Pakistan	15,45.14	13,78.05
GlaxoSmithKline Trading Services Limited, Ireland	41,17.72	26,50.33
(c) Purchase of Fixed Assets		
Laboratoire GlaxoSmithKline S.A.S., France	31.08	-
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India	12,01.19	13,62.94
GlaxoSmithKline Trading Services Limited, Ireland	2,42.50	52.44
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K.	2,94.41	2,84.27
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India	9,85.35	8,17.29
(g) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India	1,19.02	1,11.91

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

- (h) Clinical research and data management recoveries  
 GlaxoSmithKline Biologicals S.A., Belgium  
 GlaxoSmithKline Services Unlimited, U.K.
- (i) Outstanding (payables)/receivables at the year end (net)  
 GlaxoSmithKline Asia Private Limited, India  
 GlaxoSmithKline Consumer Healthcare Limited, India  
 GlaxoSmithKline Biologicals S.A., Belgium  
 GlaxoSmithKline Export Limited, U.K.  
 GlaxoSmithKline Trading Services Limited, Ireland  
 GlaxoSmithKline Services Unlimited, U.K.  
 GlaxoSmithKline Pakistan Limited, Pakistan  
 Laboratoire GlaxoSmithKline S.A.S., France

Rupees in lakhs 2009	Rupees in lakhs 2008
12,82.45	12,95.12
31,13.47	19,58.57
(8,85.36)	57.98
5,51.37	5,51.07
(34.46)	77.35
(21,26.46)	(14,48.60)
1,85.35	2,69.22
5,56.00	2,76.45
91.06	66.97
(32.27)	(1.29)

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

- 1 Remuneration/commission/sitting fees
- 2 Payments under the long-term incentive plan
- 3 Interest income on loans given
- 4 Rent for residential flat
- 5 Outstanding loans receivable

Rupees in lakhs 2009	Rupees in lakhs 2008
9,19.85	7,51.91
72.40	-
1.90	1.86
5.00	4.62
54.51	43.18

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

- (a) Remuneration/commission/sitting fees  
 Dr. H.B. Joshipura  
 Mr. M.B. Kapadia
- (b) Payments under the long-term incentive plan  
 Mr. M.B. Kapadia  
 Dr. A. Banerjee  
 Mr. M.K. Vasanth Kumar
- (c) Interest income on loans given  
 Dr. A. Banerjee  
 Mr. H. Buch  
 Mr. M.K. Vasanth Kumar  
 Mr. R. Bartaria  
 Mr. S. Khanna  
 Mrs. S. Patel
- (d) Rent for residential flat  
 Dr. A. Banerjee  
 Mrs. Neeru Nayak
- (e) Outstanding loans receivable  
 Dr. A. Banerjee  
 Mr. H. Buch  
 Mr. M.K. Vasanth Kumar  
 Mr. R. Bartaria  
 Mr. S. Khanna  
 Mrs. S. Patel

Rupees in lakhs 2009	Rupees in lakhs 2008
2,26.51	1,97.24
1,43.50	1,25.22
17.25	-
11.07	-
9.98	-
0.34	0.34
0.24	*
0.59	0.66
0.19	*
0.26	0.30
0.28	0.28
0.72	0.72
4.28	3.90
11.19	11.38
7.99	*
13.89	15.52
6.36	*
5.88	6.96
9.20	9.32

\* Not a related party during the previous year.



## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

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 generally 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. 1,72.64 lakhs (Previous year - Rs. 1,26.03 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 3,21.26 lakhs (Previous year - Rs. 2,69.92 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	504,89.32	448,35.82
Profit after taxation	Rupees in lakhs	512,29.09	576,56.90
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	59.61	52.93
Earnings per share (Basic and Diluted)	Rs.	60.48	68.07
Face value per share	Rs.	10	10

30 Provision for taxation represents provisions in excess of payments of Rs. 1938,85.90 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 - Current taxation represents payments in excess of provisions of Rs. 1709,15.11 lakhs).

31 Fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs (Previous year - provision in excess of payments of Rs. 28,35.00 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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15th February, 2010

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 — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 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 0 9

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)

2 4 7 1 7 7 6 9

Sources of Funds

Paid-Up Capital

8 4 7 0 3 0

Secured Loans

N I L

Application of Funds

Net Fixed Assets

1 1 4 1 6 5 2

Net Current Assets\*

1 4 5 9 4 9 0 7

Accumulated Losses

N I L

Total Assets

2 4 7 1 7 7 6 9

Reserves and Surplus

1 6 7 4 4 4 5 2

Unsecured Loans

5 4 1 8 6

Investments

1 9 0 9 1 0 9

Miscellaneous Expenditure

N I L

\*including net deferred tax asset

##### IV. Performance of Company (Amount rupees in thousands)

Turnover (Sales and Other Income)

1 9 9 0 9 9 5 7

Profit before tax and exceptional items

7 5 8 4 8 2 0

Earning Per Share in Rs.  
before exceptional items

5 9 . 6 1

Total Expenditure

1 2 3 2 5 1 3 7

Profit after tax before exceptional items

5 0 4 8 9 3 2

Profit after tax after exceptional items

5 1 2 2 9 0 9

Earning Per Share in Rs.  
after exceptional items

6 0 . 4 8

Dividend Rate

3 0 0 %

## Schedules to the Financial Statements — continued

### 17 NOTES TO THE FINANCIAL STATEMENTS (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 S O D I U M A M O X Y C Y 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, 15th February, 2010

### 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	31.12.2009	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 13,56.75	Rs. lakhs —	Rs. lakhs 76,57.80	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, 15th February, 2010

# Biddle Sawyer Limited

## Directors' Report to the Members

Your Directors are pleased to present the 64<sup>th</sup> Annual Report and the audited accounts of the Company for the year ended 31<sup>st</sup> December 2009.

### Financial Results

	Year ended 31 <sup>st</sup> December 2009	Year ended 31 <sup>st</sup> December 2008
	Rs. in lakhs	Rs. in lakhs
Net Sales and other income	39,78.00	37,97.97
Profit before taxation and exceptional items	20,68.25	21,11.31
Provision for Tax	7,12.16	6,60.00
Deferred Tax charge/ (credit)	(0.66)	(0.30)
Net profit after tax	13,56.75	14,51.61
Add: Balance brought forward	76,58.48	62,06.87
Balance carried forward	90,15.23	76,58.48

### 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 31<sup>st</sup> December 2009 were Rs. 37.00 crores as compared to Rs. 33.00 crores for the previous year registering a growth of 12%. The Profit before Tax and Exceptional Items was Rs. 20.68 crores as compared to Rs. 21.11 crores for the previous year. The profit has been impacted mainly due to reduction in treasury income.

### Directors

Dr. H. B. Joshipura 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 31<sup>st</sup> December 2009 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: 15<sup>th</sup> February 2010

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 <sup>st</sup> December 2009	Year ended 31 <sup>st</sup> December 2008
1. Electricity:		
a) Purchased		
Units Kwh	Nil	Nil
Total Amount Rs.	Nil	Nil
Rate/Unit Rs.	Nil	Nil
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

31<sup>st</sup> December 2009  
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 EARNINGS AND OUTGO

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

31<sup>st</sup> December 2009  
Rs.in lakhs

1) Foreign Exchange earned	Nil
2) Foreign Exchange outgo- CIF Value of imports	—
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, 2009, 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 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, 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, 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, Profit and Loss Account and Cash Flow Statement, complies with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
  - 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 Companies Act, 1956.
  - 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 Companies Act, 1956, in the manner so required and gives a true and fair view:
    - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2009;
    - 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 &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 15th February, 2010

**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 and have been properly dealt with in the books of account.
- 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 Companies Act, 1956.
  - 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 information and explanations given to us, the Company is 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 amount payable in respect of aforesaid dues were outstanding as at 31st December, 2009, for a period of more than six months from the date of becoming payable.
    - According to the information and explanations given to us, no disputed amounts payable in respect of income-tax, customs duty, excise duty and cess were in arrears as at 31st December, 2009. The particulars of dues of sales tax as at 31st December, 2009 which have not been deposited on account of a dispute, are as follows:

Name of the Statute	Period to which the amount relates	Nature of the dues	Amount Involved	Amount Not Deposited	Authority where the matter is pending
Karnataka General Sales Tax	2005-06 2006-07 2007-08 2008-09	Tax levied on the BSL's Stock Transfer made by GSK on CSA basis outside Karnataka	89.80 lacs	44.90 lacs	High Court of Karnataka

- The Company does not have any accumulated losses as at 31st December, 2009. 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 Companies Act, 1956.
- 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 &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 15th February, 2010

## Balance Sheet as at 31st December, 2009

	Schedule	Rs. ('000)	31/12/2009 Rs. ('000)	Rs. ('000)	31/12/2008 Rs. ('000)
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	96,00		96,00	
Reserves and Surplus	2	73,59,83		81,08,99	
			74,55,83		82,04,99
<b>TOTAL</b>			<b>74,55,83</b>		<b>82,04,99</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	3	1,99,32		1,99,32	
Less: Depreciation/impairment		1,97,24	2,08	1,97,24	2,08
<b>INVESTMENTS</b>	4		5,16,10		25,25,75
<b>DEFERRED TAX</b>					
Deferred Tax Assets			19,25		18,59
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	5	4,28,03		4,59,39	
Sundry Debtors	6	3,21,72		—	
Cash and Bank Balances	7	61,30,14		50,19,50	
Other Current Assets	8	86,13		1,94,39	
Loans and Advances	9	3,28,50		4,29,32	
		72,94,52		61,02,60	
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>					
Current Liabilities	10	3,76,12		4,44,03	
		3,76,12		4,44,03	
<b>NET CURRENT ASSETS</b>			69,18,40		56,58,57
<b>TOTAL</b>			<b>74,55,83</b>		<b>82,04,99</b>

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 &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 15th February, 2010

For and on behalf of the Board

Dr. Hasit B. Joshipura  
ChairmanM. B. Kapadia  
DirectorS. Balasubramanian  
Company Secretary

## Profit and Loss Account for the year ended 31st December, 2009

	Schedule	Rs. ('000)	31/12/2009 Rs. ('000)	Rs. ('000)	31/12/2008 Rs. ('000)
<b>INCOME</b>					
Sales		37,62,40		35,43,55	
Less: Excise duty on sales		62,23		2,43,28	
Net Sales		37,00,17		33,00,26	
Other Income	11	2,77,83	39,78,00	4,97,71	37,97,97
<b>EXPENDITURE</b>					
Materials	12	9,95,63		8,17,55	
Operating and other expenses	13	9,14,12		8,69,11	
Depreciation/impairment		—		—	
			19,09,75		16,86,66
Profit before tax			20,68,25		21,11,31
Less: Provision for taxation		7,12,16		6,60,00	
Deferred tax charge/(credit)		(66)	7,11,50	(30)	6,59,70
Profit after tax			13,56,75		14,51,61
Balance brought forward			76,58,48		62,06,87
<b>AVAILABLE FOR APPROPRIATIONS</b>			90,15,23		76,58,48
<b>APPROPRIATIONS</b>					
Interim Dividend		18,00,00		—	
Tax on Dividend		3,05,91		—	
		21,05,91		—	
Transfer to General Reserve		1,35,68	22,41,59	—	—
Balance carried forward			67,73,64		76,58,48
Earnings per share (basic and diluted) (Rs.)			141.33		151.21

Face value of shares - Rs. 10 each

(Refer note 11 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 &amp; DAVAR

Chartered Accountants

RUSTOM D. DAVAR

(Partner)

Membership No. F10620

Place: Mumbai

Date: 15th February, 2010

For and on behalf of the Board

Dr. Hasit B. Joshipura  
ChairmanM. B. Kapadia  
DirectorS. Balasubramanian  
Company Secretary

## Cash Flow Statement for the year ended 31st December, 2009

	31/12/2009 Rs. ('000)	31/12/2008 Rs. ('000)
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	20,68,25	21,11,31
Adjustments for :		
Interest income	(2,77,33)	(2,71,26)
Profit on sale of investments (net)	(35)	(37,87)
Dividend income	—	(1,88,57)
<b>Operating profit before working capital changes</b>	<b>17,90,57</b>	<b>16,13,61</b>
Adjustments for :		
Inventories	31,36	64,99
Trade and other receivables	(1,38,37)	(1,67,25)
Trade payables and other liabilities	(67,91)	1,69,92
<b>Cash generated from operations</b>	<b>16,15,65</b>	<b>16,81,27</b>
Direct taxes paid (net of refunds)	(7,94,69)	(6,20,03)
<b>Net cash from operating activities</b> A	<b>8,20,96</b>	<b>10,61,24</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase)/sale of investments (net)	20,10,00	35,88,40
Interest received	3,85,59	1,84,41
Dividend received	—	1,88,57
<b>Net cash from/(used in) investing activities</b> B	<b>23,95,59</b>	<b>39,61,38</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(repayments) of borrowings (net)	(21,05,91)	(3,12)
<b>Net cash used in financing activities</b> C	<b>(21,05,91)</b>	<b>(3,12)</b>
<b>Net increase in cash and cash equivalents (A + B)</b>	<b>11,10,64</b>	<b>50,19,50</b>
Cash and cash equivalents as at 1st January, 2009 (opening balance)	50,19,50	—
Cash and cash equivalents as at 31st December, 2009 (closing balance)	61,30,14	50,19,50
<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>11,10,64</b>	<b>50,19,50</b>

## NOTES:

- Cash and cash equivalents include:  
Cash and bank balances 61,30,14 50,19,50  
Total cash and cash equivalents 61,30,14 50,19,50
- 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 CORNELIUS & DAVAR  
Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620  
Place: Mumbai  
Date: 15th February, 2010

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

S. Balasubramanian  
Company Secretary

For and on behalf of the Board

## Schedules to the Accounts

	31/12/2009 Rs. ('000)	31/12/2008 Rs. ('000)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
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)	96,00	96,00
(All the above shares are held by GlaxoSmithKline Pharmaceuticals Limited, the holding Company and its nominees.)		
<b>TOTAL :</b>	<b>96,00</b>	<b>96,00</b>
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
<b>CAPITAL RESERVE:</b>		
As per last Balance Sheet	2,91	2,91
<b>GENERAL RESERVE:</b>		
As per last Balance Sheet	4,47,60	4,47,60
Add: Transfer (to)/from Profit and Loss Account	1,35,68	5,83,28
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>67,73,64</b>	<b>76,58,48</b>
<b>TOTAL :</b>	<b>73,59,83</b>	<b>81,08,99</b>

	31/12/2009 Rs. ('000)	31/12/2008 Rs. ('000)
<b>SCHEDULE 4: INVESTMENTS (AT COST):</b>		
<b>LONG TERM INVESTMENTS</b>		
<b>NON-TRADE (QUOTED)</b>		
Housing Development Finance Corporation Limited Nil, (Previous Year : 200, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each)	—	20,00,00
National Thermal Power Corporation 14, 5.95% Bonds, 2011 of Rs.2,00,000 each	25,20	25,20
Industrial Development Bank of India Limited Nil, (Previous Year : 1, 6% Bonds, 2009 of Rs.10,00,000 each)	—	9,65
LIC Housing Finance Limited 50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	4,90,90	4,90,90
<b>TOTAL :</b>	<b>5,16,10</b>	<b>25,25,75</b>

Quoted : Market Value Rs. 5,40,59,000  
(Previous year : Rs. 25,13,09,000)

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	1,67,65	2,39,19
Packing Materials	18,47	24,97
Work-in-Progress	76,99	17,78
Finished Goods	1,64,92	1,77,45
<b>TOTAL :</b>	<b>4,28,03</b>	<b>4,59,39</b>

## SCHEDULE 6: SUNDRY DEBTORS - UNSECURED

Less than six months and considered good	3,21,72	—
<b>TOTAL :</b>	<b>3,21,72</b>	<b>—</b>

## SCHEDULE 7: CASH AND BANK BALANCE

Bank balance with Scheduled Banks:		
On Current Accounts	39,14	68,50
On Deposits	60,91,00	49,51,00
<b>TOTAL :</b>	<b>61,30,14</b>	<b>50,19,50</b>

## SCHEDULE 8: OTHER CURRENT ASSETS

Interest accrued on Investments	86,13	1,94,39
<b>TOTAL :</b>	<b>86,13</b>	<b>1,94,39</b>

## SCHEDULE 3: FIXED ASSETS

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
Sr No.	Particulars	At Cost as on 01/01/2009	Additions during the year	Sale/scrapped during the year	Total As at 31/12/2009	Depreciation as on 01/01/2009	Depreciation/impairment for the year	Depreciation in respect of items sold/scrapped	Depreciation to date 31/12/2009	As at 31/12/2009	As at 31/12/2008
1	Land	2,08	—	—	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	—	—
	<b>Total</b>	<b>1,99,32</b>	<b>—</b>	<b>—</b>	<b>1,99,32</b>	<b>1,97,24</b>	<b>—</b>	<b>—</b>	<b>1,97,24</b>	<b>2,08</b>	<b>2,08</b>
	Previous Year	1,99,32	—	—	1,99,32	1,97,24	—	—	1,97,24	2,08	—



**SCHEDULE : 14****NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2009.****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 were 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.

**h) 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.

**i) 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.8,78,36,411 (Previous year Rs. 7,84,29,375)
- Income-tax matters in respect of which appeals are pending Rs. 1,78,14,989 (Previous year Rs. 6,41,587)
- Sales tax matters Rs. 89,80,000 (Previous year Nil)
- 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 Equilisation Account (DPEA) under Drugs (Price Control) Order

	Rs. (‘000)	Rs. (‘000)	Rs. (‘000)	Rs. (‘000)
<b>SCHEDULE 9: LOANS AND ADVANCES</b>				
(Unsecured, Considered good)				
Sundry Deposit		13,70		13,70
Balance with customs and excise		28,46		1,01,23
Other advances		1,39,51		2,50,09
Advance Income-tax (Net of Provision)		1,46,83		64,30
<b>TOTAL :</b>		<b>3,28,50</b>		<b>4,29,32</b>
<b>SCHEDULE 10: CURRENT LIABILITIES</b>				
Sundry Creditors				
Micro and Small enterprises		—		—
(Refer note 13 on Schedule 14)				
Others	3,04,88	3,04,88	3,72,79	3,72,79
D.P.E.A.		71,24		71,24
<b>TOTAL :</b>		<b>3,76,12</b>		<b>4,44,03</b>
<b>SCHEDULE 11: OTHER INCOME</b>				
Dividend Income		—		1,88,57
Profit on Sale of Investments		35		37,87
Interest income {Tax deducted at source Rs. 43,06,591 (Previous year Rs. 27,17,759)}		2,77,33		2,71,26
Miscellaneous Income		15		1
<b>TOTAL :</b>		<b>2,77,83</b>		<b>4,97,71</b>
<b>SCHEDULE 12: MATERIALS</b>				
Raw and packing materials consumed		10,11,23		7,69,01
Purchase of Finished Goods		31,08		37,14
(Increase)/Decrease in Work-in-Process and Finished Goods:				
Opening Stocks				
Work-in-Process		17,78		—
Finished Goods		1,77,45		2,06,63
		<b>1,95,23</b>		<b>2,06,63</b>
Less: Closing Stocks				
Work-in-Process		76,99		17,78
Finished Goods		1,64,92		1,77,45
		<b>2,41,91</b>	<b>(46,68)</b>	<b>1,95,23</b>
<b>TOTAL :</b>		<b>9,95,63</b>		<b>8,17,55</b>
<b>SCHEDULE 13: OTHER EXPENSES</b>				
Selling & Distribution Expenses		6,76,92		7,15,35
Manufacturing Charges		70,50		60,69
Rent		1,58		1,92
Rates & Taxes		68,67		53,50
Excise Duty		(28,58)		(73,02)
Insurance		53		89
Remuneration of auditors :				
Statutory audit fees		1,76		1,80
Tax audit fees		44		45
Other services		29		36
Reimbursement of expenses		50		43
		<b>2,99</b>		<b>3,04</b>
Cost audit fees		2,00		—
		<b>2,00</b>		<b>3,04</b>
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited		76,33		68,92
Exchange loss (net)		28,40		25,81
Miscellaneous Expenses		14,78		12,02
<b>TOTAL :</b>		<b>9,14,12</b>		<b>8,69,11</b>

## Biddle Sawyer Limited

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.

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 Mumbai High Court. The Mumbai 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. In the meanwhile, the Government has filed an application in the Supreme Court praying that this writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from the various High Courts. The Supreme Court is yet to hear the Transfer Petition.

4 Deferred tax assets are attributable to the following items :

	2009 Rs. ('000)	2008 Rs. ('000)
Provision for pricing of formulation	18,15	18,15
Expenses allowable for tax purposes when paid	1,10	44
	<u>19,25</u>	<u>18,59</u>

5 Value of Imported Raw and Packing Materials calculated on C.I.F. basis 7,89,59 5,53,47

6 Consumption of Raw Materials & Packing Materials:

Particulars	Units	2009		2008	
		Qty.	Rs. ('000)	Qty.	Rs. ('000)
Serratiopeptidase	Kgs	371.720	5,06,86	476.015	4,18,39
Alpha D3	Lacs	213.548	3,70,45	202.913	2,75,84
Packing Material			57,03		42,24
Other Basic Raw Materials none of which account for more than 10% of the total value of consumption			76,89		32,53
Total			<u>10,11,23</u>		<u>7,69,01</u>

7 Value & Percentage of Imported / Indigenous Materials Consumed:

	2009 Rs. ('000)	2008 Rs. ('000)
Purchased indigenously including canalised items	1,01,71	55,19
	10%	7%
Imported by the Company including customs duty & clearing charges	9,09,52	7,13,82
	90%	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)
<b>Formulations</b>										
Tablets	Lacs	99.08 (117.94)	1,13,32 (1,42,84)	452.82 (380.86)	96.53 (127.97)	31,08 (37,14)	549.41 (517.92)	27,13,10 (25,54,84)	97.21 (99.08)	77,03 (113,32)
Capsules	Lacs	31.96 (29.54)	64,13 (63,99)	210.17 (197.49)	- (-)	- (-)	204.91 (192.06)	10,49,30 (9,88,71)	36.78 (31.96)	87,89 (64,13)
TOTAL			<u>1,77,45</u> <u>(2,06,83)</u>			<u>31,08</u> <u>(37,14)</u>		<u>37,62,40</u> <u>(35,43,55)</u>		<u>1,64,92</u> <u>(1,77,45)</u>

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

10 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.

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

(Rs. In '000s)

	Holding Company	
	2009	2008
1 Payment of manufacturing charges	29,69	30,06
2 Payment of common costs	84,41	77,44
3 Payment of CSA commission	1,42,26	1,35,55
4 Payment of marketing commission	4,06,46	3,87,29
5 Dividend paid	18,00,00	—
6 Outstanding payable/(receivable) by the Company (net) @	(321,72)	30,62

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

11 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	Rs. 000's	13,56,75 14,51,61
Weighted average number of shares	Nos.	960000 960000
Earnings per share (Basic and Diluted)	Rs.	141.33 151.21
Face value per share	Rs.	10 10

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

I. Registration Details

Registration No.	6218	State Code	11
Balance Sheet Date	31/12/09		

II. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	783195	Total Assets	783195
<b>Sources of Funds</b>			
Paid-Up Capital	9600	Reserves & Surplus	735983
Secured Loans	NIL	Unsecured Loans	NIL
<b>Application of Funds</b>			
Fixed Assets	208	Investments	51610
Net Current Assets*	693765	Misc. Expenditure	NIL
Accumulated Losses	NIL		

\* including deferred tax asset

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

Turnover	397800	Total Expenditure	190975
Profit Before Tax	206825	Profit After Tax	135675
Earning Per Share in Rs.	141	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

13 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.

14 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  
Chartered Accountants

For and on behalf of the Board

RUSTOM D. DAVAR  
(Partner)  
Membership No. F10620

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

Place: Mumbai  
Date: 15th February, 2010

S. Balasubramanian  
Company Secretary

## 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 as at 31<sup>st</sup> December, 2009, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of GlaxoSmithKline Pharmaceuticals Limited's management. Our responsibility is to express an opinion on these consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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, whose financial statements reflect total assets of Rs. 74,55.83 lakhs as at 31<sup>st</sup> December, 2009 and total revenues of Rs. 39,78.00 lakhs for the year ended on that date. The financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of GlaxoSmithKline Pharmaceuticals Limited and its aforesaid subsidiary, in our opinion, the consolidated financial statements together with the notes thereon and attached thereto 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 consolidated state of affairs of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary as at 31<sup>st</sup> December, 2009;
  - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of GlaxoSmithKline Pharmaceuticals Limited and its subsidiary for the year ended on that date.

For Price Waterhouse & Co.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15<sup>th</sup> February, 2010

# Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary as at 31st December, 2009

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	1701,39.07	1786,09.37	1490,82.71	1575,53.01
LOAN FUNDS											
Unsecured loans	..	..	..	..	..	..	3		5,41.86		5,64.94
				TOTAL	..			1791,51.23		1581,17.95	
APPLICATION OF FUNDS											
FIXED ASSETS											
Gross block	..	..	..	..	..	..	4	333,32.10		326,28.88	
Less : Depreciation	..	..	..	..	..	..		240,49.23		235,87.00	
Net block	..	..	..	..	..	..		92,82.87		90,41.88	
Capital work-in-progress		..	..	..	..	..		21,35.73	114,18.60	9,95.45	100,37.33
INVESTMENTS											
..	..	..	..	..	..	..	5		148,45.89		729,51.82
DEFERRED TAX											
Deferred tax assets	..	..	..	..	..	..	6	52,47.18		38,88.90	
Deferred tax liabilities	..	..	..	..	..	..		7,58.69	44,88.49	9,10.77	29,78.13
CURRENT ASSETS, LOANS AND ADVANCES											
Inventories	..	..	..	..	..	..	7	257,29.72		232,97.60	
Sundry debtors	..	..	..	..	..	..	8	53,73.47		57,94.38	
Cash and bank balances		..	..	..	..	..	9	1733,90.19		956,73.49	
Other current assets	..	..	..	..	..	..	10	30,39.54		45,93.02	
Loans and advances	..	..	..	..	..	..	11	107,35.20		158,16.26	
Less : CURRENT LIABILITIES AND PROVISIONS											
Liabilities	..	..	..	..	..	..	12	317,20.61		275,73.34	
Provisions	..	..	..	..	..	..	13	381,49.26		454,50.74	
NET CURRENT ASSETS											
..	..	..	..	..	..	..			1483,98.25		721,50.67
				TOTAL	..			1791,51.23		1581,17.95	
Notes to the Consolidated Financial Statements											

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 and on behalf of the Board

For Price Waterhouse & Co.  
Chartered Accountants

Chairman

D. S. PAREKH

Himanshu Goradia  
Partner  
Membership No. 45668

Managing Director

Dr. H. B. JOSHIPURA

Mumbai, 15th February, 2010

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, 2009

	Schedule	Rupees in lakhs	Previous year Rupees in lakhs
<b>INCOME</b>			
Sales (Gross) . . . . .		1950,39.43	1786,99.61
Less : Excise duty on sales . . . . .		42,62.54	93,58.81
Net sales . . . . .		1907,76.89	1693,40.80
Other income . . . . .	14	103,42.46	121,96.93
<b>TOTAL INCOME</b> . . . . .		2011,19.35	1815,37.73
<b>EXPENDITURE</b>			
Materials . . . . .	15	702,18.13	655,78.38
Operating and other expenses . . . . .	16	531,47.91	442,24.63
Depreciation . . . . .		16,36.86	16,33.65
<b>TOTAL EXPENDITURE</b> . . . . .		1250,02.90	1114,36.66
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		761,16.45	701,01.07
Provision for taxation			
Current tax . . . . .		281,47.18	233,32.00
Deferred tax . . . . .		(22,61.80)	(2,33.36)
		258,85.38	230,98.64
Fringe benefits tax . . . . .		1,85.00	7,15.00
<b>NET PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</b>		500,46.07	462,87.43
EXCEPTIONAL ITEMS (net of tax) . . . . . (Refer note 15 on Schedule 17)		7,39.77	128,21.08
<b>NET PROFIT</b> . . . . .		507,85.84	591,08.51
Balance brought forward . . . . .		934,61.26	797,57.75
<b>AVAILABLE FOR APPROPRIATION</b> . . . . .		1442,47.10	1388,66.26
<b>APPROPRIATIONS</b>			
Proposed dividend . . . . . (Previous year includes a special additional dividend of Rs.152,46.54 lakhs)		254,10.90	338,81.20
Tax on distributed profit . . . . .		43,18.58	57,58.11
		297,29.48	396,39.31
Transfer to general reserve . . . . .		52,58.59	57,65.69
<b>BALANCE CARRIED FORWARD</b> . . . . .		1092,59.03	934,61.26
Earnings per share before exceptional items (basic and diluted) (Rs.) . . . . .		59.08	54.65
Earnings per share (basic and diluted) (Rs.) . . . . .		59.96	69.78
Face value of shares Rs. 10 each. (Refer note 21 on Schedule 17)			
<b>Notes to the Consolidated Financial Statements</b>	17		

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

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

For and on behalf of the Board

For Price Waterhouse & Co.  
Chartered Accountants

Chairman

D. S. PAREKH

Himanshu Goradia  
Partner  
Membership No. 45668

Managing Director

Dr. H. B. JOSHIPURA

Senior Executive Director

M. B. KAPADIA

Mumbai, 15th February, 2010

Company Secretary

A. A. NADKARNI

# Consolidated Cash Flow Statement of GlaxoSmithKline Pharmaceuticals Limited and its Subsidiary for the year ended 31st December, 2009

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items	761,16.45	701,01.07
Adjustments for :		
Depreciation	16,36.86	16,33.65
Interest expense	37.37	52.56
Provision / write off for doubtful debts, loans and advances (net)	1,35.76	38.57
Unrealised loss / (gain) on foreign exchange	28.46	(13.10)
Profit on sale / disposal of fixed assets (net)	(38.41)	(17.62)
(Profit) / Loss on sale / redemption of investments (net)	(0.35)	(32.18)
Provision written back as no longer required	(2,72.39)	(50.09)
Interest income	(85,05.59)	(73,26.02)
Dividend income	—	(29,78.29)
<b>Operating profit before working capital changes</b>	<b>691,38.16</b>	<b>614,08.55</b>
Adjustments for :		
Inventories	(24,32.12)	(21,76.91)
Trade and other receivables	(1,28.35)	(40,34.83)
Trade payables and other liabilities	46,07.47	29,54.26
<b>Cash generated from operations</b>	<b>711,85.86</b>	<b>581,51.07</b>
Direct taxes paid (net of refunds) (including fringe benefits tax)	(185,37.69)	(246,43.24)
<b>Cash flow before exceptional items</b>	<b>526,48.17</b>	<b>335,07.83</b>
Exceptional items:		
Payment for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	(7,12.00)	—
Compensation for surrender of rental premises	1,25.00	—
Payment for completion covenants for sale of the Fine Chemicals business	—	(51.57)
Payments for pricing of formulations	—	(7,53.27)
Non recurring expenses for merger / rationalisation initiatives	(9,09.51)	(4.04)
Government grant through refund of octroi duty	—	3,04.08
<b>Net cash from operating activities</b>	<b>A 511,51.66</b>	<b>330,03.03</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(30,36.66)	(23,87.87)
Sale of fixed assets	56.87	26.83
Sale of property (Exceptional item)	8,92.50	—
Sale / redemption of investments (net) (Exceptional item)	—	785,34.73
(Purchase) / sale / redemption of investments (net)	580,20.22	(22,17.61)
Interest received	101,45.13	57,57.28
Dividend received	—	29,78.29
<b>Net cash from investing activities</b>	<b>B 660,78.06</b>	<b>826,91.65</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	(23.08)	(14.85)
Interest paid	(35.49)	(32.11)
Dividend paid	(336,67.18)	(303,04.50)
Tax on distributed profit	(57,58.11)	(51,82.30)
<b>Net cash used in financing activities</b>	<b>C (394,83.86)</b>	<b>(355,33.76)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(A + B + C) 777,45.16</b>	<b>801,60.92</b>
Cash and cash equivalents as at 1st January, 2009 (opening balance)	956,58.05	154,97.13
Cash and cash equivalents as at 31st December, 2009 (closing balance)	1734,03.21	956,58.05
<b>Net increase in cash and cash equivalents</b>	<b>777,45.16</b>	<b>801,60.92</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash and bank balances	1733,90.19	956,73.49
Unrealised loss / (gain) on foreign currency	13.02	(15.44)
<b>Total cash and cash equivalents</b>	<b>1734,03.21</b>	<b>956,58.05</b>

2. The Consolidated 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 Consolidated Cash Flow Statement referred to in our report of even date

For and on behalf of the Board

For Price Waterhouse & Co.

Chartered Accountants

Himanshu Goradia

Partner

Membership No. 45668

Mumbai, 15th February, 2010

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

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

\* excludes 3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited (4,693 equity shares of Rs.10 each of the Company) 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<sup>#</sup>:

- (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.

<sup>#</sup> The Company bought back and extinguished 26,19,529 equity shares in 2005.

2

## RESERVES AND SURPLUS

Rupees in lakhs

	As at 1st January 2009	Additions	Deductions	As at 31st December 2009	As at 31st December 2008
Capital Reserve	1,70.97	—	—	(c) 1,70.97	1,70.97
Capital Redemption Reserve	2,62.00	—	—	(d) 2,62.00	2,62.00
General Reserve	551,88.48	(a) 52,58.59	—	604,47.07	551,88.48
Profit and Loss Account - Surplus	934,61.26	(b) 157,97.77	—	1092,59.03	934,61.26
<b>TOTAL</b>	<b>1490,82.71</b>	<b>210,56.36</b>	<b>—</b>	<b>1701,39.07</b>	<b>1490,82.71</b>
<b>Previous Year Total</b>	<b>1296,13.51</b>	<b>194,69.20</b>	<b>—</b>	<b>1490,82.71</b>	

(a) Transfer from Profit and Loss Account.

(b) Increase in balance of profit carried forward.

(c) 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.

(d) 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
5,16.19	25.67	5,41.86	23.08
5,16.19	25.67	5,41.86	23.08
	5,41.86		5,64.94

### 4 FIXED ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 1st January 2009	Additions	Deductions	As at 31st December 2009	As at 1st January 2009	For the Year	On Deductions	As at 31st December 2009	As at 31st December 2009	As at 31st December 2008
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)	27,66.22	16.84	1.37	27,81.69	12,64.04	63.97	1.28	13,26.73	14,54.96	15,02.18
Leasehold buildings	29,95.40	2,77.72	—	32,73.12	14,20.15	1,09.66	—	15,29.81	17,43.31	15,75.25
Plant and machinery	187,19.49	12,69.09	10,57.33	189,31.25	139,21.96	11,11.37	10,61.31	139,72.02	49,59.23	47,97.52
Furniture and fittings	31,89.67	1,87.93	42.20	33,35.40	23,32.44	2,13.07	33.37	25,12.14	8,23.26	8,57.24
Vehicles	6,75.97	1,44.80	92.26	7,28.51	4,33.44	1,38.79	78.67	4,93.56	2,34.95	2,42.53
<b>TOTAL</b>	326,28.88	18,96.38	11,93.16	333,32.10	235,87.00	16,36.86	11,74.63	240,49.23	92,82.87	
Previous year - Total	310,85.09	19,35.40	3,91.61	326,28.88	223,35.75	16,33.65	3,82.40	235,87.00		90,41.88
Work-in-progress at cost and advance payments against capital expenditure									21,35.73	9,95.45
								<b>TOTAL</b>	114,18.60	100,37.33

Note:

(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	..	..	..	..	..	26,13.66	26,58.24
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###### Unquoted

National Savings Certificate	..	..	..	..	..	0.17	0.17
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(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
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##### OTHER THAN TRADE

###### Quoted

Export Import Bank of India

Nil, (Previous year : 200, 5.40% Bonds, 2009 of Rs. 10,00,000 each)	..	..	..	..	..	—	20,00.00
---	----	----	----	----	----	---	----------

200, 9.05% Non-Convertible Debentures, 2010 of Rs. 10,00,000 each	..	..	..	..	..	20,00.00	20,00.00
---	----	----	----	----	----	----------	----------

Housing Development Finance Corporation Limited

Nil, (Previous year : 400, 5.85% Non-Convertible Debentures, 2009 of Rs. 10,00,000 each)	..	..	..	..	..	—	40,00.34
--	----	----	----	----	----	---	----------

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
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Indian Railway Finance Corporation Limited

50, 6.20% Bonds, 2010 of Rs. 10,00,000 each	..	..	..	..	..	5,01.66	5,04.33
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20, 9.76% Bonds, 2012 of Rs. 10,00,000 each	..	..	..	..	..	2,01.14	2,01.54
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Industrial Development Bank of India Limited

Nil, (Previous year : 1, 6% Bonds, 2009 of Rs.10,00,000 each)	..	..	..	..	..	—	9.65
---	----	----	----	----	----	---	------

LIC Housing Finance Limited

Nil, (Previous year : 25, 9.50% Non-Convertible Debentures, 2009 of Rs. 20,00,000 each)	..	..	..	..	..	—	5,02.02
---	----	----	----	----	----	---	---------

25, 9.50% Non-Convertible Debentures, 2010 of Rs. 20,00,000 each	..	..	..	..	..	5,02.16	5,17.45
--	----	----	----	----	----	---------	---------

Nil, (Previous year : 10, 8% Non-Convertible Debentures, 2009 of Rs. 1,00,00,000 each)	..	..	..	..	..	—	10,13.38
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100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each	..	..	..	..	..	10,01.27	10,01.48
---	----	----	----	----	----	----------	----------

100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	..	..	..	..	..	10,01.26	10,01.61
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50, 8.55% Non-Convertible Debentures, 2011 of Rs.10,00,000 each	..	..	..	..	..	4,90.90	4,90.90
---	----	----	----	----	----	---------	---------

National Hydroelectric Power Corporation Limited

Nil, (Previous year : 9, 7.70% Bonds, 2009 of Rs. 1,00,00,000 each)	..	..	..	..	..	—	9,03.08
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National Thermal Power Corporation

14, 5.95% Bonds, 2011 of Rs. 2,00,000 each	..	..	..	..	..	25.20	25.20
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## Schedules to the Consolidated Financial Statements — continued

### 5 INVESTMENTS (continued)

					Rupees in lakhs	Previous year Rupees in lakhs
National Bank for Agriculture and Rural Development						
Nil, (Previous year : 100, 9.65% Non Priority Sector Bonds 2010 IX G Series of Rs. 10,00,000 each)	..	..	..	..	—	10,00.00
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	..	..	..	..	10,12.06	10,15.79
Reliance Industries Limited						
148, (Previous year : 74 Equity Shares of Rs. 10 each fully paid)	..	..	..	..	0.01	0.01
Reliance Capital Limited						
3 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Communications Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
Reliance Infrastructure Limited						
5 Equity Shares of Rs. 10 each fully paid	..	..	..	..	*	*
Reliance Natural Resources Limited						
74 Equity Shares of Rs. 5 each fully paid	..	..	..	..	*	*
* Less than Rs. 1,000						
Unit Trust of India						
Nil, (Previous year : 10,42,521, 6.60% Tax Free Assured Returns Scheme Bonds, 2009 of Rs. 100 each)	..	..	..	..	—	10,42.52
<b>Unquoted</b>						
National Highways Authority of India						
Nil, (Previous year : 1,00,000, 5.60% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	100,00.00
Nil, (Previous year : 1,00,000, 5.50% 3-Year Capital Gains Bonds, 2009 of Rs. 10,000 each)	..	..	..	..	—	100,00.00
Rural Electrification Corporation Limited						
Nil, (Previous year : 1,97,000, 5.50% 5-Year Capital Gains Bonds, 2011 of Rs. 10,000 each)	..	..	..	..	—	197,00.00
<b>CURRENT</b> (at lower of cost and fair value)						
<b>IN GOVERNMENT SECURITIES</b>						
<b>Quoted</b>						
Government of India Treasury Bills						
Nil, (Previous year : Face value Rs. 80,00 lakhs)	..	..	..	..	—	78,67.71
<b>TOTAL</b>	..	..	..	..	<b>148,45.89</b>	<b>729,51.82</b>
Aggregate of Unquoted Investments - At Book value	..	..	..	..	5.67	397,05.67
Aggregate of Quoted Investments - At Book value	..	..	..	..	148,40.22	332,46.15
- At Market value	..	..	..	..	151,73.02	331,97.21
There are no investments purchased and sold / redeemed during the year.						

## Schedules to the Consolidated Financial Statements — continued

6	<b>DEFERRED TAX</b>							
	Deferred tax assets and liabilities are attributable to the following items:							
	<b>Assets</b>							
	Liability for Drugs Prices Equalisation Account	..	..		3,56.63		3,56.63	
	Provision for employee benefits	..	..	..	13,51.04		19,75.43	
	Costs of voluntary retirement schemes	..	..		14.67		43.76	
	Costs of merger	..	..	..	—		9.40	
	Provision for doubtful debts, loans and advances		..		3,07.93		4,45.22	
	Provision for pricing of formulations	..	..		2,29.04		2,29.04	
	Interest received on Income-tax refund considered as taxable under the Income-tax Act, 1961	..	..	..	22,02.06		—	
	Expenses allowable for tax purposes when paid	..	..		7,85.81		8,29.42	
		TOTAL	..	..	52,47.18		38,88.90	
	<b>Liabilities</b>							
	Depreciation	..	..	..	6,55.96		8,08.04	
	Fixed assets held for sale	..	..	..	1,02.73		1,02.73	
		TOTAL	..	..	7,58.69		9,10.77	
		TOTAL	..	..	44,88.49		29,78.13	
7	<b>INVENTORIES</b>							
	(Inventories have been valued at lower of cost and net realisable value)							
	Stores and spares	..	..	..	3,59.40		3,93.60	
	Raw and packing materials	..	..	..	56,78.05		64,99.08	
	Work-in-progress	..	..	..	42,62.81		37,08.13	
	Finished goods	..	..	..	154,29.46		126,96.79	
		TOTAL	..	..	257,29.72		232,97.60	
8	<b>SUNDRY DEBTORS</b>							
	(Unsecured)				<b>Doubtful</b>	<b>Good</b>	<b>Doubtful</b>	<b>Good</b>
	Outstanding for over six months	..	..	..	7,21.71	1,04.38	11,39.30	2,18.25
	Others	..	..	..	28.82	52,69.09	2.76	55,76.13
					7,50.53	53,73.47	11,42.06	57,94.38
	Less : Provision for doubtful debts	..	..	..	(7,50.53)	—	(11,42.06)	—
					—	53,73.47	—	57,94.38
		TOTAL	..	..		53,73.47		57,94.38
9	<b>CASH AND BANK BALANCES</b>							
	Cash on hand	..	..	..		4.08		5.73
	Remittances in transit (Refer note 3(iii) on Schedule 17)			..		5.92		5.92
	With scheduled banks							
	Current account	..	..	..		75,04.46		44,35.95
	Fixed deposit account	..	..	..		1634,91.00		897,51.00
	Call / margin money deposit	..	..	..		23,84.73		14,74.89
		TOTAL	..	..		1733,90.19		956,73.49

## Schedules to the Consolidated Financial Statements — continued

		Rupees in lakhs	Previous year Rupees in lakhs
<b>10</b>	<b>OTHER CURRENT ASSETS</b>		
	Interest accrued on investments/deposits . . . . .	27,37.29	42,90.77
	Fixed assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower) *	3,02.25	3,02.25
	<b>TOTAL</b> . . . . .	<u>30,39.54</u>	<u>45,93.02</u>
	* Realisable value / salvage value is based on valuation reports of approved valuers, where applicable.		
<b>11</b>	<b>LOANS AND ADVANCES</b>		
	(Unsecured)	<u>Doubtful</u> <u>Good</u>	<u>Doubtful</u> <u>Good</u>
	Loans and advances recoverable in cash or in kind or for value to be received		
	Sundry deposits . . . . .	— 23,22.89	— 24,60.81
	Other advances . . . . .	1,55.43 65,15.15	1,67.81 68,61.42
	Less : Provision for doubtful advances . . . . .	(1,55.43) —	(1,67.81) —
		— 88,38.04	— 93,22.23
	Balance with customs, excise and port trust on current accounts	— 17,59.64	— 8,61.94
	Current taxation (Refer note 22 on Schedule 17) . . . . .	— —	— 56,32.09
	Fringe benefits tax (Refer note 23 on Schedule 17) . . . . .	— 1,37.52	— —
		— 107,35.20	— 158,16.26
	<b>TOTAL</b> . . . . .	<u>107,35.20</u>	<u>158,16.26</u>
<b>12</b>	<b>CURRENT LIABILITIES</b>		
	Sundry creditors . . . . .	294,42.39	255,08.08
	Unpaid dividend * . . . . .	11,51.80	9,37.78
	Unpaid matured fixed deposits * . . . . .	1.32	2.37
	Warrants issued but not encashed - Fixed deposit interest *	4.63	4.64
	Drugs Prices Equalisation Account . . . . .	11,20.47	11,20.47
	<b>TOTAL</b> . . . . .	<u>317,20.61</u>	<u>275,73.34</u>
	* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.		
<b>13</b>	<b>PROVISIONS</b>		
	For current taxation (Refer note 22 on Schedule 17) . . . . .	43,04.88	—
	For fringe benefits tax (Refer note 23 on Schedule 17) . . . . .	—	17.48
	For proposed equity dividend . . . . .	254,10.90	338,81.20
	For tax on distributed profit . . . . .	43,18.58	57,58.11
	For employee benefits [includes actuarial gain of Rs. 22,10.78 lakhs recognised in the year (previous year - actuarial loss of Rs. 23,49.86 lakhs)] . . . . .	41,14.90	57,93.95
	<b>TOTAL</b> . . . . .	<u>381,49.26</u>	<u>454,50.74</u>

## Schedules to the Consolidated Financial Statements — continued

14

### OTHER INCOME

			Rupees in lakhs	Previous year Rupees in lakhs
Service income				
Clinical research and data management	..	..	43,95.92	32,53.69
Other services	..	..	9,06.70	7,80.16
Expenses relating to the above	..	..	(45,50.32)	(33,39.68)
			7,52.30	6,94.17
Export related benefits (net)	..	..	1,21.96	1,56.39
Exchange gain (net)	..	..	—	2,45.57
Consignment sales commission	..	..	1,47.12	1,36.66
Rent received	..	..	56.73	19.17
Profit on sale / disposal of fixed assets (net)	..	..	38.41	17.62
Manufacturing charges recovery	..	..	70.00	—
Provision written back as no longer required	..	..	2,72.39	50.09
Others	..	..	4,14.98	5,93.33
			18,73.89	19,13.00
Treasury income				
Dividend income - Investments other than trade - long term			—	2,25.26
- current			—	27,53.03
			—	29,78.29
Profit on sale / redemption of investments (net) - long term			0.35	—
- current			—	32.18
			0.35	30,10.47
(Refer note 12 (a) on Schedule 17)				
Interest income (Gross):				
On deposits with banks	..	..	59,45.57	28,45.39
On loans	..	..	19.52	20.52
On tax refunds	..	..	—	22.40
On investments - Government securities and other than trade				
- long term [net of premium write-off of Rs. 86.06 lakhs (Previous year Rs. 1,24.31 lakhs)]	..	..	24,34.73	41,20.36
- current	..	..	85.97	3,03.17
Others	..	..	19.80	14.18
			85,05.59	73,26.02
Less : Interest expense:				
Security deposits	..	..	(36.52)	(49.99)
Others	..	..	(0.85)	(2.57)
			(37.37)	(52.56)
			84,68.22	72,73.46
<b>TOTAL</b>	..	..	<b>103,42.46</b>	<b>121,96.93</b>
Tax deducted at source :				
On interest	..	..	11,64.45	4,63.85
Others	..	..	2,68.52	2,81.80
			14,32.97	7,45.65

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### MATERIALS

Raw and packing materials consumed			406,77.27	359,55.13
Purchase of finished goods			328,28.21	298,44.51
(Increase) / decrease in work-in-progress and finished goods:				
Opening stock				
Work-in-progress	..	..	37,08.13	29,85.50
Finished goods	..	..	126,96.79	131,98.16
			164,04.92	161,83.66
Less: Closing stock				
Work-in-progress	..	..	42,62.81	37,08.13
Finished goods	..	..	154,29.46	126,96.79
			196,92.27	164,04.92
			(32,87.35)	(2,21.26)
<b>TOTAL</b>	..	..	<b>702,18.13</b>	<b>655,78.38</b>

## Schedules to the Consolidated Financial Statements — continued

16

### OPERATING AND OTHER EXPENSES

			Rupees in lakhs		Previous year Rupees in lakhs
Salaries, wages and bonus	..	..	188,05.09		154,30.74
Contributions to : Provident and pension funds	..	..	10,62.62		9,81.17
Gratuity funds	..	..	1,65.77		85.99
Staff welfare	..	..	9,01.12	209,34.60	7,77.17
Sales promotion	..	..		95,22.87	62,92.41
Selling commission on exports	..	..		3.46	11.36
Stock point commission	..	..		9,27.20	8,21.70
Freight (net)	..	..		26,79.41	24,80.44
Travelling	..	..		34,91.40	33,31.81
Provision / write off for doubtful debts, loans and advances (net)				1,35.76	38.57
Exchange loss (net)	..	..		2,51.32	—
Manufacturing charges	..	..		41,35.27	35,53.16
Repairs - Buildings	..	..	3,33.09		2,27.50
- Plant and Machinery	..	..	11,08.29		11,32.88
- Others	..	..	29.29	14,70.67	20.06
Consumption of stores and spares	..	..		4,01.96	3,31.49
Power, fuel and water	..	..		24,65.64	24,74.55
Rent	..	..		8,73.86	8,68.84
Rates and taxes	..	..		9,20.49	11,67.12
Printing, postage and telephones	..	..		10,70.38	9,44.08
Sales training, briefing and conference	..	..		11,93.45	11,14.29
Excise duty	..	..		(2,16.19)	(5,60.78)
Insurance	..	..		2,35.30	2,72.70
Remuneration to auditors :					
Statutory audit fees	..	..	35.57		36.24
In other capacity in respect of :					
Tax audit fees	..	..	6.62		6.74
Audit of tax accounts	..	..	22.06		22.47
Other services	..	..	23.99		25.00
Reimbursement of expenses	..	..	1.23		1.61
			89.47		92.06
Cost audit fees	..	..	4.50	93.97	4.25
Date-expired stocks	..	..		21,03.06	20,62.62
Commission to non whole-time Directors	..	..		36.30	30.33
Directors' sitting fees	..	..		10.00	8.50
Clinical trial supplies	..	..		9,31.02	2,40.99
Miscellaneous	..	..		39,08.68	37,10.67
Reimbursement / (Recovery) of expenses (net) (Refer note 14 on Schedule 17)	..	..		1,18.35	(3,82.37)
Expenses relating to service income (Refer Schedule 14)	..	..		(45,50.32)	(33,39.68)
<b>TOTAL</b>	..	..		<b>531,47.91</b>	<b>442,24.63</b>



## 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 and accounting standards issued by the Institute of Chartered Accountants of India.

##### (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, 2009	% voting power held as at 31st December, 2008
Biddle Sawyer Limited (BSL)	India	100	100

##### (c) 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 Company received a demand for Rs. 71,79 lakhs from the Central Government contained in its orders dated 18th June, 1990 and 16th November, 1990 in respect of prices relating to Betamethasone bulk drugs and formulations therefrom. These orders were challenged by the Company by a writ petition in the Hon'ble High Court at Delhi. After hearing the submissions of the Company, as well as the Government, in the writ petition, the Hon'ble High Court by its judgement and order dated 19th October, 2001, was pleased to set aside the impugned demands raised by the Central Government. The claim to interest made by the Government vide its letter dated 29th October, 1996, demanding interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996 thereby, does not survive. The Hon'ble High Court has also directed that the Company be given an opportunity to present its case with full facts to enable the Central Government to raise a fresh demand. The Company has sent a letter to the Government giving details of the quantities based on which the demand has to be raised as per the judgement of the Hon'ble High Court at Delhi and has intimated to the Government that according to the Company, after considering the set offs which the Company has claimed, the amount payable would be Rs. 18,68 lakhs. The Company had accrued a liability of Rs. 18,68 lakhs of which an amount of Rs. 8,19 lakhs has been paid to the Government in the earlier years. Accordingly, the Company has retained the liability of Rs. 10,49 lakhs in the Balance Sheet.

The Central Government has filed a special leave petition in the Supreme Court against the Delhi High Court's judgement and order dated 19th October, 2001. The Supreme Court has admitted the said special leave petition, which has come up for hearing and disposal.

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 Mumbai High Court. The Mumbai 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. In the meanwhile, the Government has filed an application in the Supreme Court praying that this writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from the various High Courts. The Supreme Court is yet to hear the Transfer Petition.

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.

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

## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. In the meanwhile, the Government of India has filed an application in the Supreme Court praying that the writ petition (along with several others filed by other pharmaceutical companies) be transferred to the Supreme Court from various High Courts. The Supreme Court is yet to hear the transfer petition.

- (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:

				Rupees in lakhs	Previous year Rupees in lakhs
(i)	Cheques discounted with banks	..	..	3,97.41	6,85.69
(ii)	In respect of claims made against the Company not acknowledged as debts by the Company				
-	Sales tax matters	..	..	30,63.04	32,29.65
-	Excise matters	..	..	7,98.19	7,98.63
-	Service tax matters	..	..	2,42.18	2,42.18
-	Labour matters	..	..	46,19.39	41,59.95
-	Other legal matters	..	..	8,62.09	8,69.90
	which net of current tax amount to -			63,26.99	61,39.13
(iii)	Taxation matters in respect of which appeals are pending				
-	Tax on matters in dispute	..	..	112,56.89	87,93.90
-	Other consequential matters (net of tax)	..	..	3,74.39	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	3,80.21	7,32.25
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	Loans and Advances include amounts due from a Director * and an officer of the Company the maximum amount due during the year was	11.19 15.28	15.24 18.22
	* Loan granted prior to appointment as a whole time Director.		
10	Directors' Remuneration		
	Salaries	4,36.97	3,80.81
	Payments under the long-term incentive plan	31.85	—
	Perquisites	6.96	6.21
	Contribution to provident and superannuation funds	61.34	52.38
	Commission to non whole-time Directors	36.30	30.33
	Directors' sitting fees	10.00	8.50
		<u>5,83.42</u>	<u>4,78.23</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	3.61	3.61
11	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, 2009 and the provision based on the figures for the remaining nine months up to 31st December, 2009, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2009 to 31st March, 2010.		
12	In the previous year:		
	(a) Profit on sale / redemption of investments (net) - current is net of loss on sale / redemption of long term investments amounting to Rs. 5.69 lakhs and loss on sale / redemption of current investments of Rs. 2.93 lakhs.		
	(b) Profit on sale / redemption of investments (net) (Exceptional Item) comprises profit on sale of long term investments amounting to Rs. 132,66.51 lakhs, current investments of Rs. 14,54.07 lakhs and loss on sale of current investments of Rs. 6.74 lakhs.		
13	The recurring expenditure on research and development charged off to revenue amounts to Rs. 4,66.82 lakhs (Previous year - Rs. 4,63.69 lakhs).		

## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 14 "Reimbursement / (Recovery) of expenses (net)" in Schedule 16 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 7,02.62 lakhs (Previous year - Rs. 10,61.83 lakhs), from GlaxoSmithKline Pte Limited Rs. 28.03 lakhs (Previous year - Rs. 11.18 lakhs), from GlaxoSmithKline S.A.E Rs. 15.29 lakhs (Previous year - Rs. 14.17 lakhs), from GlaxoSmithKline Pharmaceutical Sdn Bhd Rs. 25.54 lakhs (Previous year - Rs. 22.26 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 8,89.83 lakhs (Previous year - Rs. 7,27.07 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
15	Exceptional items :					
	(i) Expenses for rationalisation initiatives	..	..	..	(10,37.52)	—
	(ii) Profit on sale of property	..			8,92.43	—
	(iii) Compensation for surrender of rental premises	..	..	..	1,25.00	—
	(iv) Expenses for acquisition of distribution rights of products of Stiefel India Private Limited from a third party	..	..	..	(7,12.00)	—
	(v) Provision for pricing of formulations	..			—	(4,31.28)
	(vi) Profit on sale / redemption of investments (net)	..	..	..	—	147,13.84
	(vii) Actuarial Gain/(Loss) on employee benefits	..	..	..	22,10.78	(23,49.86)
	(viii) Government grant through refund of octroi duty				—	3,04.08
	Taxation on the above					
	Current tax	..	..	..	12.52	(1,28.00)
	Deferred tax	..	..	..	(7,51.44)	7,12.30
					<u>7,39.77</u>	<u>128,21.08</u>

- 16 The disclosures as required as per the revised AS 15 are set out in note 24 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.
- 17 The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

#### 18 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", issued by the Institute of Chartered Accountants of India 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

## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (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 Bangladesh Limited, Bangladesh  
 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 Export Limited, U.K.  
 GlaxoSmithKline Pte Limited, Singapore  
 GlaxoSmithKline Philippines Inc., Philippines  
 GlaxoSmithKline Australia Pty Limited, Australia  
 GlaxoSmithKline Canada Inc, Canada  
 GlaxoSmithKline Trading Services Limited, Ireland  
 GlaxoSmithKline Limited, Hong Kong  
 Stiefel India Private Limited, India  
 US Pharmaceuticals, U.S.A.

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

Dr. A. Banerjee	Mr. P.V. Nayak
Mr. A.M. Nimbalkar (w.e.f 27th July, 2009)	Mr. R. Bartaria (w.e.f 23rd April, 2009)
Mr. C.T. Renganathan (w.e.f 22nd May, 2009)	Mr. R.C. Sequeira
Mr. D.S. Parekh	Mr. R.R. Bajaj
Mr. D. Sundaram (w.e.f 27th July, 2009)	Mr. R. Limaye (up to 30th April, 2009)
Mr. H. Singh (up to 23rd March, 2009)	Dr. S. Joglekar
Dr. H.B. Joshipura	Mr. Sunder Rajan
Mr. H. Buch (w.e.f 23rd April, 2009)	Mr. S. Khanna
Mr. M.B. Kapadia	Mrs. S. Patel
Mr. M.K. Vasanth Kumar	Mr. V. Narayanan
Dr. M. Reilly (up to 27th July, 2009) *	Mr. V. Thyagarajan
Mr. N. Kaviratne	Mrs. Neeru Nayak (up to 15th October, 2009)
Mr. P. Bains (up to 27th July, 2009) *	

\* 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	
	2009	2008
Glaxo Group Limited, U.K.	121,94.10	109,74.69
Eskaylab Limited, U.K.	23,52.00	21,16.80
Burroughs Wellcome International Limited, U.K.	13,44.00	12,09.60
Castleton Investment Limited, Mauritius	12,76.90	11,49.21

## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

		Rupees in lakhs	
		Other companies in the GSK Group (ii)	
		2009	2008
1	Purchase of materials/finished goods	132,21.19	85,79.71
2	Sale of materials/finished goods	58,50.74	41,52.38
3	Purchase of Fixed Assets	31.08	—
4	Expenses recharged to other companies	15,45.73	14,61.02
5	Research and development recoveries	2,94.41	2,84.27
6	Expenses recharged by other companies	11,45.65	8,94.83
7	Manufacturing charges recovered	70.00	—
8	Consignment sales commission received	1,19.02	1,11.91
9	Clinical research and data management recoveries	43,95.92	32,53.69
10	Outstanding (payables)/receivables at the year end (net) #	(17,60.26)	(1,02.62)

Expenses incurred for acquisition of distribution rights from a third party, of products of Stiefel India Private Limited, a company under common control, amount to Rs.712 Lakhs

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

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

		Rupees in lakhs 2009	Rupees in lakhs 2008
(a)	Purchase of materials/finished goods		
	GlaxoSmithKline Asia Private Limited, India	33,00.17	—
	GlaxoSmithKline Biologicals S.A., Belgium	19,88.97	30,40.00
	GlaxoSmithKline Export Limited, U.K.	78,72.35	54,78.69
(b)	Sale of materials/finished goods		
	GlaxoSmithKline Pakistan Limited, Pakistan	15,45.14	13,78.05
	GlaxoSmithKline Trading Services Limited, Ireland	41,17.72	26,50.33
(c)	Purchase of Fixed Assets		
	Laboratoire GlaxoSmithKline S.A.S., France	31.08	—
(d)	Expenses recharged to other companies		
	GlaxoSmithKline Asia Private Limited, India	12,01.19	13,62.94
	GlaxoSmithKline Trading Services Limited, Ireland	2,42.50	52.44
(e)	Research and development recoveries		
	GlaxoSmithKline Services Unlimited, U.K.	2,94.41	2,84.27
(f)	Expenses recharged by other companies		
	GlaxoSmithKline Consumer Healthcare Limited, India	9,85.35	8,17.29
(g)	Consignment sales commission received		
	GlaxoSmithKline Asia Private Limited, India	1,19.02	1,11.91
(h)	Clinical research and data management recoveries		
	GlaxoSmithKline Biologicals S.A., Belgium	12,82.45	12,95.12
	GlaxoSmithKline Services Unlimited, U.K.	31,13.47	19,58.57

## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(i) Outstanding (payables)/receivables at the year end (net)

	Rupees in lakhs 2009	Rupees in lakhs 2008
GlaxoSmithKline Asia Private Limited, India	(8,85.36)	57.98
GlaxoSmithKline Consumer Healthcare Limited, India	5,51.37	5,51.07
GlaxoSmithKline Biologicals S.A., Belgium	(34.46)	77.35
GlaxoSmithKline Export Limited, U.K.	(21,26.46)	(14,48.60)
GlaxoSmithKline Trading Services Limited, Ireland	1,85.35	2,69.22
GlaxoSmithKline Services Unlimited, U.K.	5,56.00	2,76.45
GlaxoSmithKline Pakistan Limited, Pakistan	91.06	66.97
Laboratoire GlaxoSmithKline S.A.S., France	(32.27)	(1.29)

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

	Rupees in lakhs 2009	Rupees in lakhs 2008
1 Remuneration/commission/sitting fees	9,19.85	7,51.91
2 Payments under the long-term incentive plan	72.40	—
3 Interest income on loans given	1.90	1.86
4 Rent for residential flat	5.00	4.62
5 Outstanding loans receivable	54.51	43.18

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

	Rupees in lakhs 2009	Rupees in lakhs 2008
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura	2,26.51	1,97.24
Mr. M.B. Kapadia	1,43.50	1,25.22
(b) Payments under the long-term incentive plan		
Mr. M.B. Kapadia	17.25	—
Dr. A. Banerjee	11.07	—
Mr. M.K. Vasanth Kumar	9.98	—
(c) Interest income on loans given		
Dr. A. Banerjee	0.34	0.34
Mr. H. Buch	0.24	*
Mr. M.K. Vasanth Kumar	0.59	0.66
Mr. R. Bartaria	0.19	*
Mr. S. Khanna	0.26	0.30
Mrs. S. Patel	0.28	0.28
(d) Rent for residential flat		
Dr. A. Banerjee	0.72	0.72
Mrs. Neeru Nayak	4.28	3.90
(e) Outstanding loans receivable		
Dr. A. Banerjee	11.19	11.38
Mr. H. Buch	7.99	*
Mr. M.K. Vasanth Kumar	13.89	15.52
Mr. R. Bartaria	6.36	*
Mr. S. Khanna	5.88	6.96
Mrs. S. Patel	9.20	9.32

\* Not a related party during the previous year.



## Schedules to the Consolidated Financial Statements — continued

### 17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19 Disclosures as required by Accounting Standard 19, "Leases", issued by the Institute of Chartered Accountants of India are given below:

(i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are generally 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. 1,72.64 lakhs (Previous year - Rs. 1,26.03 lakhs).

The total carrying amount of the corresponding liability at the year end is Rs. 3,21.26 lakhs (Previous year - Rs. 2,69.92 lakhs).

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	500,46.07	462,87.43
Profit after taxation	Rupees in lakhs	507,85.84	591,08.51
Weighted average number of shares	Nos.	8,47,03,017	8,47,03,017
Earnings per share before exceptional items (Basic and Diluted)	Rs.	59.08	54.65
Earnings per share (Basic and Diluted)	Rs.	59.96	69.78
Face value per share	Rs.	10	10

22 Provision for taxation represents provisions in excess of payments of Rs. 1989,83.38 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 - Current taxation represents payments in excess of provisions of Rs. 1751,52.32 lakhs).

23 Fringe benefits tax represents payments in excess of provisions of Rs. 30,37.48 lakhs (Previous year - provision in excess of payments of Rs. 28,35.00 lakhs).

24 The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

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.  
Chartered Accountants  
Himanshu Goradia  
Partner  
Membership No. 45668

Mumbai, 15th February, 2010

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

## Visionary initiatives for manufacturing excellence and energy conservation



Upgradation of the Nashik site is underway. The restructuring has already resulted in substantial increase in per person productivity.



The Nashik site has also been selected for manufacturing and supply of Albendazole tablets to support WHO's initiative to rid the world of Lymphatic Filariasis. GSK Nashik has achieved its target of 100mn tablets at end December 09 and has already delivered two consignments to WHO.

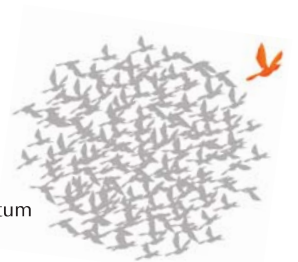


The Thane site meanwhile has kept to its target of supplying a number of drugs to various countries. The Vision Factory Excellence Foundation is one of the many farsighted programs which has been rolled out there.

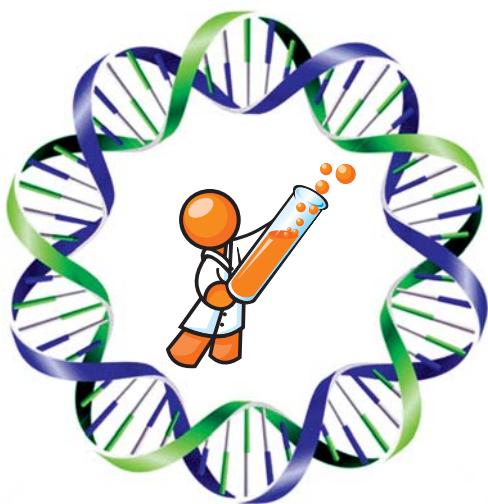


A slew of energy conservation and environment friendly measures have also been completed at both the Nashik and Thane sites.

Breaking out. Creating new momentum



## Improving quality of life through cutting edge clinical research



GSK India's Clinical Operations Group continued its momentum in clinical research, covering a number of disease areas. The company conducted 18 clinical trials of which 7 were new studies with a therapeutic focus on Oncology and Cardio-vascular diseases. The quality of work conforms consistently to global standards. This is evidenced by a series of internal compliance audits and US FDA inspections at two of the investigational sites.

7 NDAs (New Drug Applications) for GlaxoSmithKline innovator and in-licenses products and 2 IND (Investigational New Drug) applications have been submitted for government approval. 3 NDAs and 1 IND approval have been received, paving the way for speedy introduction of these new drugs.

## Creating a world class human resource pool

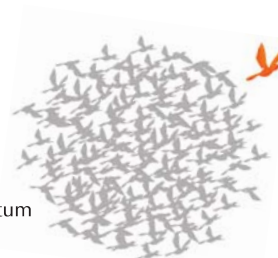


Capability building was Job #1 with special attention to grooming new talent, enhancing effectiveness and sharpening expertise to suit the specialized needs in each discipline.

New training programs, award schemes and empowerment through interactive small groups were a highlight during the year. Long term settlements have been signed at Thane and Nashik, as well as with the all India unions representing the field sales force.

Sales training continued to be the bedrock of GSK India's success. Among the many programs, the 'Brand Calling Card' emerged as an outstanding input which will differentiate our brands and brand ambassadors in the crowded Indian market. A new 'Development Navigator and Field Coaching Tool' is an outstanding world class innovation which would soon be shared in GSK across the globe.

Breaking out. Creating new momentum



## Redefining Corporate Social Responsibility (CSR) to benefit economically disadvantaged communities

India is increasingly becoming an integral part of global GlaxoSmithKline CSR initiatives. The new production line at Nashik will deliver 300 million treatments for elimination of Lymphatic Filariasis by 2020. This will be the largest drug donation program in the history of the global pharmaceutical industry.

A number of community development projects have also been taken up to reach more beneficiaries across different regions of the country. The Gramin Arogya Vikas Sanstha (GAVS) in Rural Nashik helps to bring mobile healthcare to some 40,000 underserved people and tribals in a cluster of 35 villages. Thanks to the Vocational Centres run here, 50% of the recruits have been employed in the rural areas, thus stemming the tide of urban migration and helping to empower adolescent girls and women in the villages.

GSK India continued its pioneering work in Behraich, Lucknow and in the dumping grounds at Deonar, Mumbai. The Company also supports several NGOs and health projects with essential medicines and financial support. This includes the Yuva Parivartan Vocational Training Centre for less privileged and unemployed youth, ISKCON Foundation's Mid-Day Meal project in Mumbai and the Institute of Child Health, Kolkata which has a 150 bed hospital for infants from economically weaker sections.

Similarly, support has been extended to the Indian Institute for Mother & Child, which is helping to promote child and maternal health and basic literacy, and the Aashirwad School for mentally challenged children in Delhi.

St. Jude India ChildCare Centre at Navi Mumbai and the Tamil Nadu Kidney Research Association have benefitted from GSK India's support. Two new projects have also recently been added to our roster to support the geriatric population in Mumbai and the Khurda District of Orissa.



Breaking out. Creating new momentum





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