

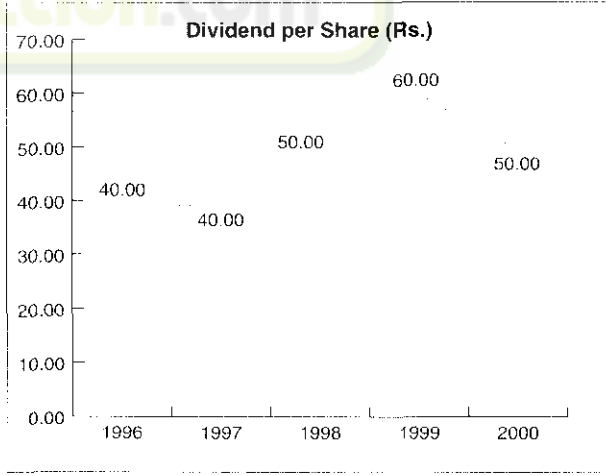
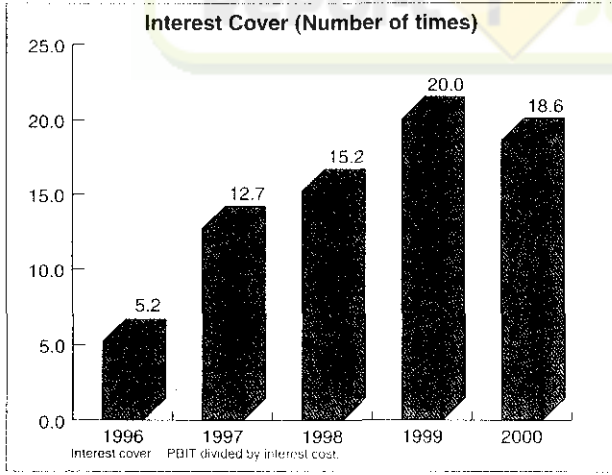
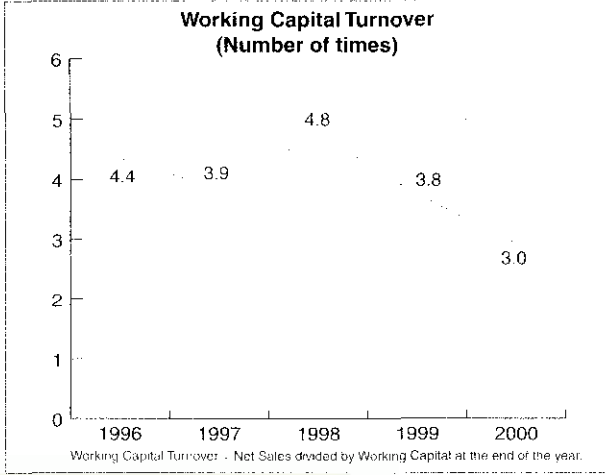
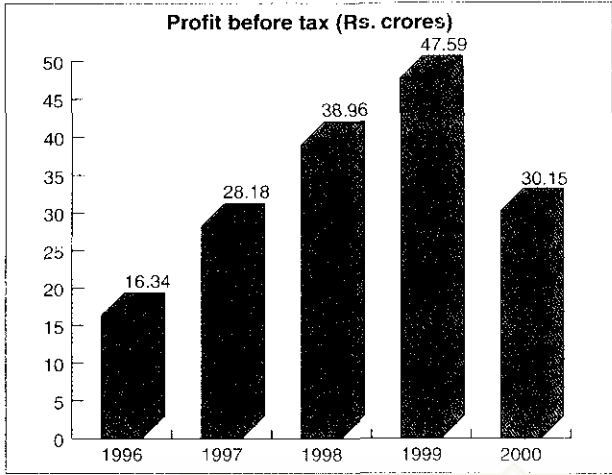
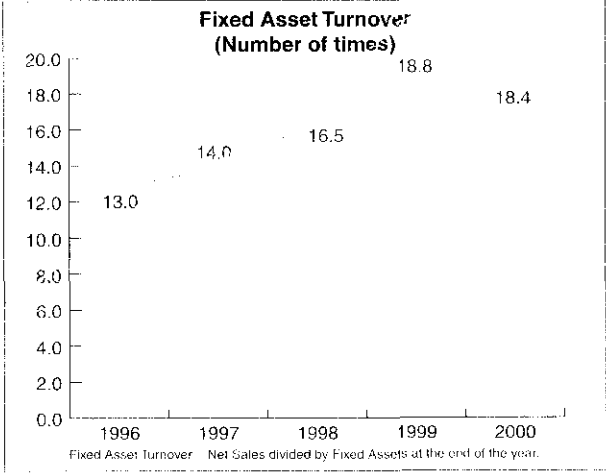
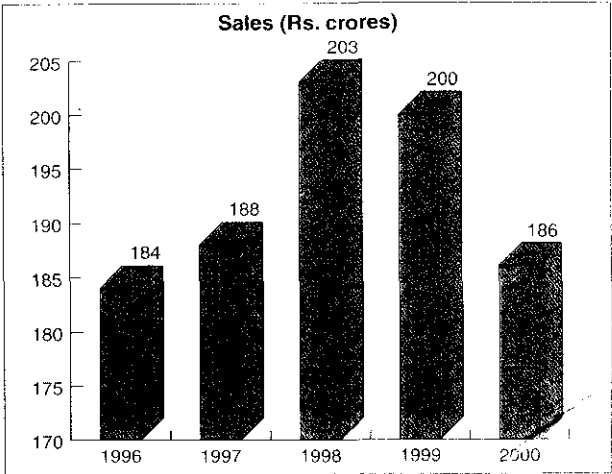


reportjunction.com



* An affiliate of GlaxoSmithKline plc

BURROUGHS WELLCOME (INDIA) LIMITED*





Wellcome

BURROUGHS WELLCOME (INDIA) LIMITED

Fifty-second Annual Report

2000

Board of Directors (As on 23-02-2001)

Chairman

D S Parekh

Managing Director

H R Khurokhan (upto 31-12-2000)

Directors

N Ranthi Dev (w.e.f. 15-01-2001)

P Driver (w.e.f. 23-02-2001)

P V Nayak

S N Talwar

V Thyagarajan

A T H Wong (upto 23-02-2001)

Auditors

Lovelock & Lewes

Bankers

State Bank of India

Standard Chartered Bank

Hongkong and Shanghai Banking Corporation

CitiBank N.A.

Corporation Bank

Registered Office

252, Dr Annie Besant Road, Worli,
Mumbai 400 025.

Tele: 4933514 Fax No. 4935358

Website : <http://www.glaxowellcome.co.in>

Registrars & Transfer Agents

MCS Limited

Plot No. D-27

MIDC Industrial Area, Road No. 11,
Andheri (East), Mumbai 400 093.

Tel.: 8215235, 8350458

BURROUGHS WELLCOME (INDIA) LIMITED**DIRECTORS' REPORT**

TO THE MEMBERS

The Directors have pleasure in submitting their Report for the year ended 31st December 2000.

1. INTERNATIONAL MERGER

Glaxo Wellcome plc and SmithKline Beecham plc have merged under an arrangement which became effective on 27th December 2000 to form a new Company named GlaxoSmithKline plc. The new Company is well-placed to respond to the healthcare challenges of the twenty-first century with market leadership in major therapeutic categories. In India, your Company is now an affiliate of GlaxoSmithKline plc.

2. RESULTS & DIVIDEND

The results for the year ended 31st December 2000 are given below.

	Year ended 31st December 2000	Year ended 31st December 1999
	Rs. '000s	Rs. '000s
Profit before Taxation	30,14,57	47,59,13
Less: Provision for Taxation	11,00,00	18,25,00
Profit after Tax	19,14,57	29,34,13
Add: Balance brought forward from the previous year	3,97,34	78,97
Amount available for disposal	23,11,91	30,13,10
Appropriations (Transfers):		
Equity Dividend	4,58,84	5,50,61
Distribution Tax on Dividend	1,03,70	65,15
Transfer to General Reserve	15,00,00	20,00,00
Balance retained in Profit & Loss Account	2,49,37	3,97,34
	23,11,91	30,13,10

The Directors recommend the payment of a Dividend of 50 % (i.e. Rs 5/- per share) which, if approved by the Members at the Annual General Meeting will absorb a sum of Rs.459 lakhs. The Distribution Tax borne by the Company on this year's Dividend is Rs.104 lakhs. Last year, the Dividend was 60%.

3. SALES & PROFITS

A significant price reduction on Septran, the Company's No.1 product, has adversely affected both sales and profits this year. All major products of the Company are in slow growing



therapeutic segments and this factor has also been responsible for the drop in sales of 7.2% (Rs.14.3 crores) as compared to the previous year. This has affected margins adversely. Higher selling and promotional expenses were necessary to achieve sales in a highly competitive market. The Company's products continued to be promoted by Glaxo India Limited with whom the Company's marketing and distribution staff were integrated last year. The expansion of the field force by Glaxo India Limited has also resulted in an increase in marketing expenses this year. After adjusting for the profit on sale of property last year, amounting to Rs.4.2 crores, the Profit Before Tax is lower than last year by Rs.13.2 crores.

4. FINANCE

Financing charges have registered a reduction and funds surplus to operational needs have been invested. Capital expenditure incurred during the year under review amounted to Rs.168 lakhs.

5. OPERATIONS

(i) Pharmaceuticals

The slow down in the pharmaceutical industry continued in 2000. The market grew by around 10%, mainly fuelled by new product introductions by smaller Indian companies, introduction of non-branded generics and heavy discounting.

The seven restructured marketing teams of Glaxo India Limited formed in 2000 have performed reasonably well. Fuller benefits from a focussed approach to the Company's product range are expected to accrue from 2001 onwards.

Primary sales were depressed in the latter half of the year on account of extended trade boycotts in certain Southern States coupled with reduced purchases by the Trade particularly in Eastern and Central India because of changes in Sales Tax rates.

(ii) Exports

Exports of the Company's products on FOB basis amounted to Rs.301 lakhs for the year as compared to Rs.343 lakhs in the previous year. During the year, the Company exported bulk drugs and formulations to various countries like Germany, UK, Mexico, Indonesia, Kenya, Argentina etc.

6. EMPLOYEE RELATIONS

The Company continued to have cordial relations with its employees. Since attempts to harmonize wages with Glaxo workmen's wages have not yet yielded results, the matter of adjustment of wages is likely to be referred to adjudication.

7. DIRECTORS

Mr. H. R. Khusrokhani, Managing Director, retired by mutual consent with the Company on 31st December, 2000. The Board places on record its deep appreciation of the service rendered by Mr. Khusrokhani and for the significant contributions made by him to the growth and development of the Company.

Mr. A. T. H. Wong resigned as Director. The Board places on record its appreciation for the contribution made by him during his tenure as Director. Mr. P. Driver has been appointed to fill the casual vacancy caused by the resignation of Mr. A. T. H. Wong.

Mr. Ranthi Dev was appointed as Additional Director and shall hold office upto the date of this Annual General Meeting. Requisite notice in writing from a member, signifying his intention to propose Mr. N. Ranthi Dev's candidature as a Director, has been received by the Company. The Board recommends his appointment.

BURROUGHS WILLCOKE (INDIA) LIMITED

Mr. V. Thyagarajan retires by rotation and is eligible for re-appointment. The Board recommends his re-appointment.

8. DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors confirm :

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2000 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.

9. CORPORATE GOVERNANCE

As per the amended Listing Agreement with the Stock Exchange, your Company is required to comply with the requirements of Corporate Governance by 31st March 2001. Several steps taken by the Company in this direction are attached to this report.

10. AUDITORS' REPORT

The Auditors have made a reference in their report to the non-provision of any amount against the demand of Rs.1.91 crores raised by the Government of India, Ministry of Chemicals & Fertilisers, New Delhi. The Company's position in this regard is explained in Note No. 8(a) of Schedule 'Q' to the accounts.

11. AUDITORS

The Auditors, Messrs. Lovelock & Lewes, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

12. GENERAL

- (i) The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed. 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 Asst. Company Secretary at the Registered Office of the Company.
- (ii) The Directors express their appreciation for the contribution made by employees to the successful operations of the Company during the year.

On behalf of the Board of Directors

D S Parekh
Chairman

Mumbai : 23rd February, 2001.



ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988, and forming part of the Directors' Report for the accounting year ended 31st December 2000.

1. Conservation of Energy:

- (i) Energy conservation measures taken:
Regular monitoring of consumption and regular planned maintenance of plant and machinery and other utility system alongwith implementation of energy conservation projects. Some of the completed projects are :
 - (a) Installation of a street lighting transformer at Pharmaceutical Division.
 - (b) Insulation of the airconditioning ducts
 - (c) Introduction fuzzy logic controllers for FBD's
 - (d) Auto-drain trap based on timer circuit
- (ii) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
 - (a) Re-design of the ETP aerators agitator blades have resulted in reduction of lamps operating current and enhanced aeration
 - (b) Installation of electronic controllers in FBD's has resulted in approx. 1 lakh savings / annum.
 - (c) Rationalisation of a/c units and AHU's have resulted in savings of approx. 0.70 lakh / annum.
- (iii) Impact of measures taken :
In spite of the energy cost escalations and production volumes fluctuating, the cost of production reflects the effect of these measures.
- (iv) Total energy consumption and energy consumption per unit of production.
Particulars are given below as per prescribed Form 'A'.

FORM 'A'

(A) Power and Fuel Consumption:

Current Year (01.01.2000 to 31.12.2000)				Previous Year (01.01.99 to 31.12.99)		
	*PHD	**CMD	TOTAL	*PHD	**CMD	TOTAL
1. Electricity						
a) Purchased						
Units (lakh Kwh)	38.22	1.26	39.48	36.99	1.41	38.40
Total Amount (Rs. lakhs)	180.77	6.97	187.74	162.30	6.95	162.30
Rate/Unit (Rs.)	4.76	5.55	5.15	4.38	4.93	4.65
b) Own Generation						
(i) Through Diesel						
Generator Units (Kwh)	7680.00	—	7680.00	5760.00	—	5760.00
Units/Ltr. Of Diesel Oil (Kwh)@	1.47	—	1.47	1.55	—	1.55
Cost/Unit (Rs.)	11.50	—	11.50	10.50	—	10.50
(ii) Through Steam						
Turbine/Generator	NOT APPLICABLE			NOT APPLICABLE		
2. Coal	NOT APPLICABLE			NOT APPLICABLE		
3. Furnace Oil						
Qty. K. Ltr.	173.00	—	173.00	197.11	—	197.11
Total Amount (Rs. lakhs)	20.68	—	20.68	17.26	—	17.26
Average Rate (Rs. / Ltr.)	11.96	—	11.96	8.76	—	8.76
4. Others/Internal						
Generation	NOT APPLICABLE			NOT APPLICABLE		
* PHD – Pharmaceutical Division ** CMD – Chemical Division						
@ The value of units generated/ltrs. is low because the generator has been used in a discontinuous manner for testing purpose.						

BURROUGHS WELLCOME (INDIA) LIMITED

(B) Energy consumption per unit of production					
Standards	Current Year (01.01.00 to 31.12.00)		Previous year (01.01.99 to 31.12.99)		
	* PHD (Formulations) Per Pack	**CMD (Bulk Drugs) Per Kg.	*PHD (Formulations) Per Pack	**CMD (Bulk Drugs) Per Kg.	
Electricity	0.214 (Kwh)	No production	0.211 (Kwh)	No production	
Furnace Oil	0.0097 (Ltrs)	No production	0.011 (Ltrs)	No production	
Coal/Others	NA	NA	NA	NA	

* PHD – Pharmaceutical Division ** CMD – Chemical Division.

*** There are no specific standards since the product range consists of various products with different consumptions.

2. Technology Absorption

Details of efforts made in technology absorption are given below as per prescribed Form B.

FORM 'B'

Research & Development (R&D)

- (i) Specific areas in which R&D is carried out by the Company:
 - (a) Development of new products and line extensions in the field of antivirals and antibacterials.
 - (b) Reformulation of existing products and processes to improve product stability, product yield and substitution of imported raw materials.
 - (c) Development of new packaging materials and generation of comparative storage data.
 - (d) Development of analytical methods for new formulations .

Your Company is privileged to be associated with the GlaxoSmithKline Group and will continue to benefit from the extensive research and development efforts.
- (ii) Benefits derived as a result of the above R&D:
Substitution of high value imported material and process simplification has resulted in significant cost saving.
- (iii) Future plan of action:
Your Company will continue to give priority on the main areas of R&D particularly on development of new products and improvement of existing products and processes so as to reduce costs wherever possible.

(iv) Expenditure on R&D.	Rs. in lakhs Current Year
(a) Capital	16.84
(b) Recurring	58.79
(c) Total	75.63
(d) Total R&D expenditure as a percentage of total turnover	0.4%

Technology absorption, adaptation and innovation:

- (i) Efforts, in brief, made towards technology absorption, adaptation and innovation:
Through continuous process improvement work of R&D, your Company has adopted the processes used by GlaxoSmithKline with appropriate modifications.
- (ii) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution.



The benefits to the Company from these efforts have been:

- Cost containment in an inflationary environment
- Formulation of new products and line extensions
- Product quality improvement
- Better stability and bio-availability
- Export potential of formulations.

(iii) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- (a) Technology imported
- (b) Year of import
- (c) Has technology been fully absorbed
- (d) If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action.

Your Company has not imported any technology on payment of consideration in the last 5 years. However, the technical information of the GlaxoSmithKline Group in upgrading technologies is made available whenever required.

3. Foreign Exchange Earnings and outgo

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

Efforts are being made to increase exports to various countries by promoting some products in which the Company has got technical excellence in the domestic market.

(ii)	Total Foreign exchange used and earned	Rs. in lakhs
A.	Total foreign exchange used :	
	(a) On import of Raw materials, spare parts and capital goods on CIF basis	2163.23
	(b) Expenditure in foreign currencies for Business travels, subscriptions etc	2.61
	(c) Remittance during the year in foreign Currency on account of Dividend	280.81
B.	Total foreign exchange earned	335.22

On behalf of the Board of Directors

D S Parekh
Chairman

Mumbai : 23rd February, 2001

BURROUGHS WELLCOME (INDIA) LIMITED**REPORT ON CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below:

A. MANDATORY REQUIREMENTS**1. Company's philosophy on Code of Governance**

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the Company in the efficient conduct of its business and in meeting its obligations to shareholders. For several years, the Company has adopted a codified Corporate Governance Charter, inter alia, to fulfil its corporate responsibilities and achieve its financial objectives.

2. Board of Directors

- Composition

The present strength of the Board is six Directors all of whom are Non-Executive Directors. The Non-Executive Directors bring independent judgement in the Board's deliberations and decisions. Two Directors, including the Chairman, are Independent Directors.

Burroughs Wellcome International Limited, U.K., have certain rights enshrined in the Articles of Association pertaining to the appointment of Directors.

- Attendance of each Director at the Board Meetings and the last AGM

Nine Board Meetings were held in 2000

Name of Director	Category of Directorship	No. of Board Mtgs. Attended	% of Total Mtgs. Attended	Attendance at the last AGM
Mr. D. S. Parekh	CHAIRMAN	9	100	Yes
Mr. H. R. Khusrokhan (Upto 31.12.2000)	M.D.	8	89	Yes
Mr. P. V. Nayak	N.E.D.	8	89	Yes
Mr. S. N. Talwar	N.E.D.	8	89	Yes
Mr. V. Thyagarajan	N.E.D.	1	11	No
Mr. A. T. H. Wong	N.E.D.	Nil	Nil	No

M.D. - Managing Director

N.E.D. - Non-Executive Director

- Number of other Companies or Committees the Director (being a Director as on the date of the Directors' Report) is a Director / Chairman

Name of Director	No. of Other Companies in which Director	No. of Committees (other than Burroughs Wellcome (India) Limited) in which member
Mr. D. S. Parekh	14*	9
Mr. N. Ranthi Dev	5	Nil
Mr. P. Driver	1	Nil
Mr. P. V. Nayak	5	2
Mr. S. N. Talwar	14*	9
Mr. V. Thyagarajan	7	2

* In addition, (a) Mr. D. S. Parekh is Alternate Director on 5 Companies and (b) Mr. S. N. Talwar is Alternate Director on 22 Companies and Director of 21 Private Limited Companies.