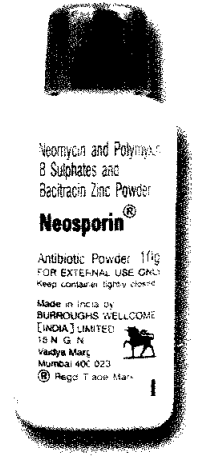
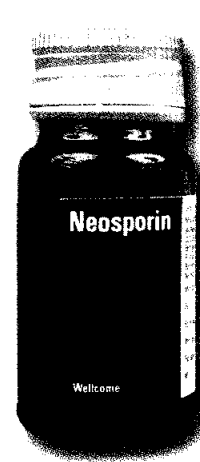
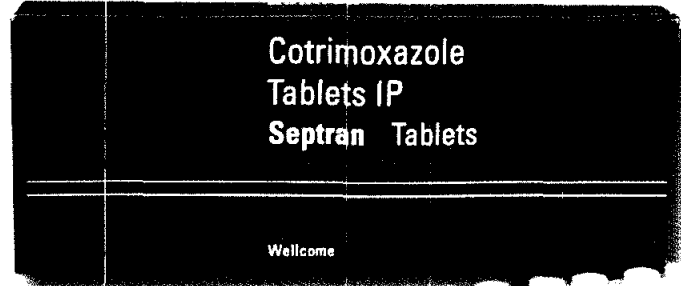
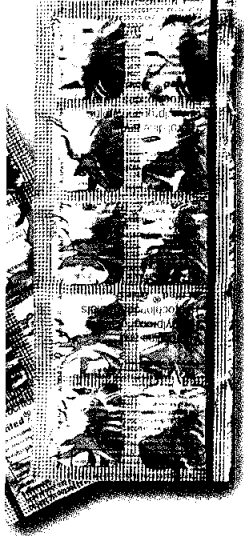


# ANNUAL REPORT YEAR ENDED 31st DECEMBER 2001



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**Wellcome**



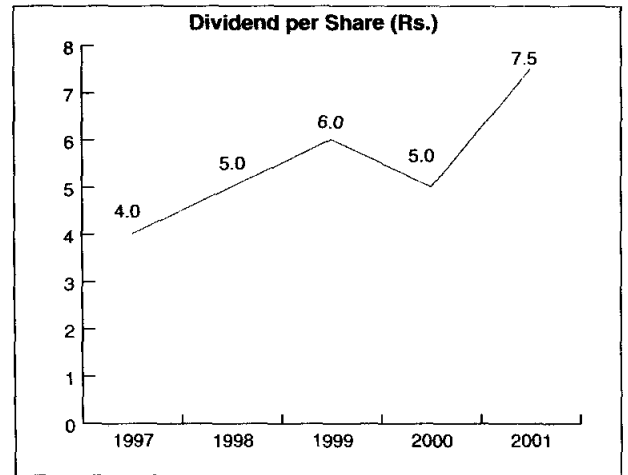
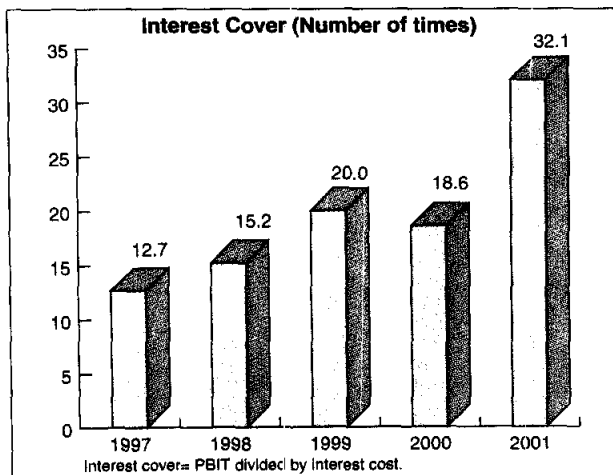
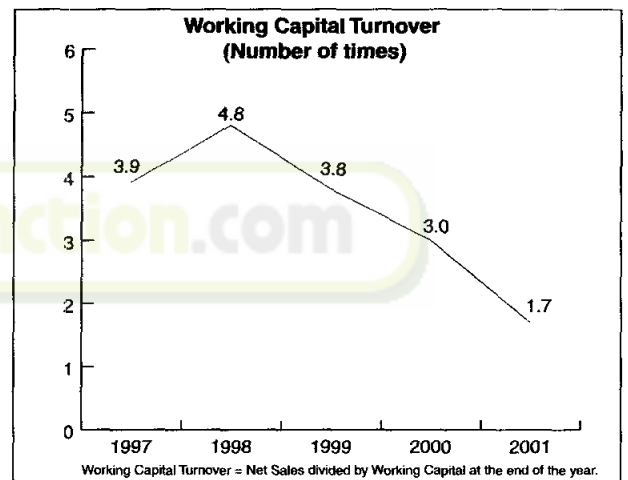
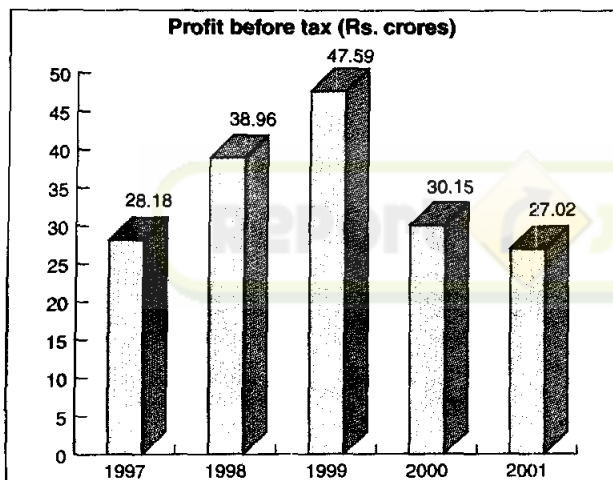
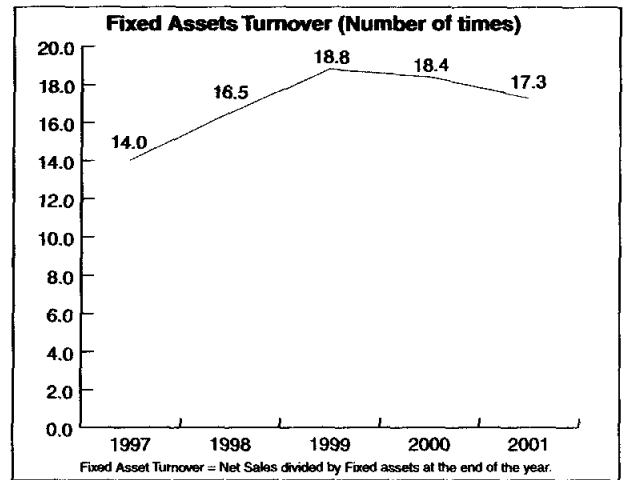
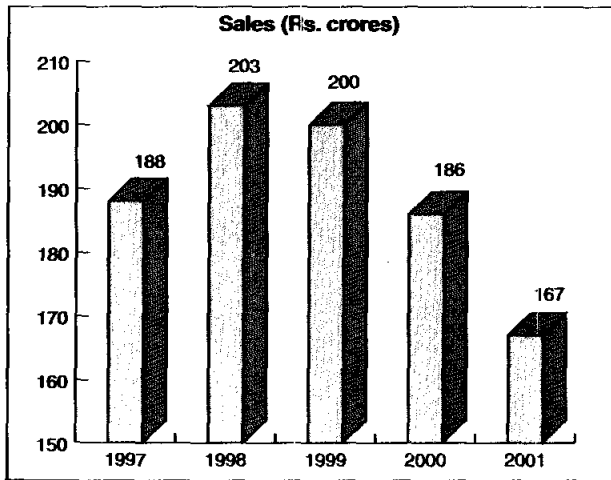
**BURROUGHS WELLCOME (INDIA) LIMITED\***

\* An affiliate of GlaxoSmithKline plc

**BURROUGHS WELLCOME (INDIA) LIMITED**



Charts: 1997 — 2001





**BURROUGHS WELLCOME (INDIA) LIMITED**  
**Fifty-third Annual Report**  
**2001**

**Board of Directors**  
(As on 4.03.2002)

**Chairman**  
D S Parekh

**Managing Director**  
V Thyagarajan

**Directors**  
N Ranthi Dev  
P Driver  
P V Nayak  
S N Talwar

**Company Secretary**

S Balasubramanian

**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

**Registrars & Transfer Agents**

SmithKline Beecham Consumer Healthcare Limited,  
DLF Plaza Tower, DLF City, Phase - I,  
Gurgaon - 122 002 (Haryana)  
Tel: 0124 - 6540700-03

**BURROUGHS WELLCOME (INDIA) LIMITED**

## Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31<sup>st</sup> December 2001.

**1. Results & Dividend for the year ended 31st December 2001**

	<b>Year ended 31st December 2001</b>	Year ended 31st December 2000
	<b>Rs. '000s</b>	Rs. '000s
<b>Profit before Taxation</b> .....	<b>27,02,34</b>	30,14,57
Less: Provision for Taxation .....	<b>9,25,00</b>	11,00,00
<b>Profit after Tax</b> .....	<b>17,77,34</b>	19,14,57
Add: Balance brought forward from the previous year ...	<b>2,49,37</b>	3,97,34
Amount available for appropriation .....	<b>20,26,71</b>	23,11,91
<b>Appropriations (Transfers):</b>		
Equity Dividend .....	<b>6,88,26</b>	4,58,84
Distribution Tax on Dividend (Net of writeback of Rs.56.88 lakhs in respect of Dividend for 2000)	<b>(56,88)</b>	1,03,70
Transfer to General Reserve .....	<b>10,00,00</b>	15,00,00
Balance retained in Profit & Loss Account .....	<b>3,95,33</b>	2,49,37

**2. Dividend**

The Directors recommend the payment of a dividend of 75% (i.e. Rs 7.50 per share) which, if approved by the Members at the Annual General Meeting will absorb a sum of Rs. 688.26 lakhs. Last year, the Dividend was 50%.

**3. Management Discussion & Analysis****(a) The Pharmaceuticals business**

There was a perceptible slowdown in the Indian pharmaceutical market in 2001. For the first time in several years, the pharmaceuticals market registered a single digit growth. The underlying demand for your Company's products is good. Products like Septran, Actifed and Neosporin showed moderate decline due to the planned destocking at the wholesaler level.

Amendments to patent laws will drive the long-term growth of this industry and will open up opportunities for research-based multinational pharma companies. Liberalisation of price control and adherence to Intellectual Property Rights will enable the industry to invest in high value added activities like R&D, bringing upto date medical information to the doctors and ultimately better health outcomes for the general public in India. The investments in these areas will also benefit the shareholders in the long term.

One of the major threats emerging in the market is the increasing shift towards substitution and rapid proliferation of a new category, "generic generics", which is

changing the dynamics of the market in terms of pricing and product promotion. However, the medical community and patients believe in the quality of your Company's products and the valuable medical information provided to them, and the management is making every effort to reduce the impact of this development on the Company.

Your Company has changed the system of distribution of its products and appointed GlaxoSmithKline Pharmaceuticals Limited (GSK) as its Consignment Sales Agent towards the end of last year. According to this system, GSK would sell the goods through their distribution network as Consignment Agents on behalf of your Company for a commission. This system has been well accepted and is functioning smoothly.

**(b) The Exports business**

The Exports activity of your Company is mainly dependent on the export of Trimethoprim and Paracetamol to the GlaxoSmithKline Group Companies. With GlaxoSmithKline plc reducing its requirements of Trimethoprim from your Company for last couple of years, the exports are continuing to decline.

During the year exports of the Company's products on FOB basis amounted to Rs. 81 lakhs for the year as compared to Rs.301 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.

**(c) Performance**

The sales for the year at Rs.167.02 crores were lower than the last year's sales of Rs.185.75 crores by 10.1 % mainly on account of tighter controls on the sales and marketing front and destocking at the wholesaler's level. Sales were also affected due to the full year impact of Septran price reduction, which was implemented by the Government in 2000, and lower export sales.

The Profit before Tax for the year at Rs.27.02 crores was maintained at 16.2 % of Net Sales inspite of the lower sales. The expenses include incremental provisions for doubtful debts and date expired / damaged goods returned by the trade (in line with industry practice) as well as additional depreciation on computer hardware on account of technical obsolescence. This was offset by higher investment income. If the results are adjusted for these items, the profit shows a decline of 4% over last year as against a reduction in Sales by 10.1%.

**(d) Drug Policy**

The Government has recently announced a new Drug Policy. While the policy appears to be moving in the right direction at a macro level, the impact can be assessed only after the new list of products which remain under price control is announced.

**(e) Internal Control Systems**

The Company maintains a system of internal control, including suitable monitoring procedures, designed to provide effective internal control. The main control procedures have been documented. The Internal Audit Department regularly conducts a review of the financial and operating controls at various locations of the Company. The GlaxoSmithKline Group uses the self-assessment questionnaire as a tool to conduct a review of the effectiveness of the system of effective controls, covering all controls including financial, operational, compliance and risk management as also controls in areas like Intellectual Property, Business Continuity and Disaster Recovery. The tool also covers the review of various Business Processes relating to Finance, Inventories,

Marketing, Human Resources and Information Technology. The statutory auditors, while conducting the statutory audit, review and evaluate internal controls, and their observations are discussed with the management. In addition, there are periodic visits by members of GlaxoSmithKline plc's Internal Audit Team. Any significant issues are required to be brought to the attention of the Audit Committee of the Board. The introduction of a new Enterprise Resource Planning (ERP) package referred to subsequently in para (g) is aimed at enhancing the internal control mechanisms.

**(f) Employee Relations**

The Company continued to have cordial and harmonious relations with its employees and the Union. The Company proposed to control the spiraling wage cost by serving a Notice of Change on the workmen and the Union. Employees did not appreciate the Company's rationale. The Company's Notice of Change and Union's Charter of Demands have been referred to adjudication by the State Government. Your Company has a staff strength of 583 permanent employees on its payroll as on 31<sup>st</sup> December, 2001.

**(g) Other**

The Company has implemented a new Finance system of the new Enterprise Resource Planning (ERP) package called J D Edwards (used worldwide by the GlaxoSmithKline Group Companies). The manufacturing site at Mulund has migrated to BPCS, which is also an internationally accepted ERP package. The new system is expected to provide on-line information to aid improved decision-making and bring about further reduction in working capital levels.

Procurement function under Global Manufacturing and Supply have taken several initiatives like Purchase Price Cost Analysis, seasonal buying and term contracting, which have resulted in substantial cost savings.

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. 228 lakhs.

Your Company has recognised a diminution of Rs.17.53 lakhs in its investment in the Unit Trust of India under the US 64 Scheme.

The training in Lean sigma concepts has been given to all the staff at the Mulund Site. The implementation of these tools & techniques, has enabled the site to achieve substantial savings in terms of increased productivity, reduced usage and inventory, improvement in delivery performance, increase in right first time batches, waste reduction and elimination .

Kaizen Blitz workshop was also organised at the Mulund site. As a result of this workshop there has been reduction in batch change over time, reduction in fill weight variation and reduction in down time and improvement in productivity.

**(h) 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 the future performance and outlook.

**4. Additional Disclosures**

In line with the requirements of the Listing Agreement and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Related Party transactions.

**5. Directors**

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

**6. 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 31<sup>st</sup> December 2001 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.

**7. Corporate Governance**

Your Company is a part of 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 Agreement with the Stock Exchange. A report on the Corporate Governance, along with a certificate of compliance from the Auditors, given in annexure 'C', forms a part of this Report.

**8. 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. 3 of Schedule 'P' to the accounts.

**9. Auditors**

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

**10. General**

- (i) 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, are given in annexure 'B' forming part of this report.
- (ii) The Directors express their appreciation for the contribution made by employees to the operations of the Company during a difficult and challenging year.

On behalf of the Board of Directors

**D S Parekh**  
Chairman

Mumbai : 4th March, 2002.

## Annexure 'A' 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 31<sup>st</sup> December 2001.

### I Conservation of Energy:

1. Energy conservation measures taken :
  - Special transformers for lighting were installed in the plant, to save electrical energy.
  - Introduction of split units for areas, which do not require the central air conditioning.
  - Replaced mercury vapour lamps to sodium vapour lamps for streetlights.
  - Installation of automatic power factor improvement system.
  - Installation of energy efficient belts for the belt drives.
  - Tapping waste hot water stream for the AHU to effect RH control.
2. The adoption of energy conservation measures indicated above have resulted in considerable savings and its awareness among employees.
3. Total energy consumption and energy consumption per unit of production:

(A) Power and Fuel Consumption							
		CURRENT YEAR (01.01.01 to 31.12.01)			PREVIOUS YEAR (01.01.00 to 31.12.00)		
		Pharma	Chemical	Total	Pharma	Chemical	Total
1	Electricity						
	a) Purchased						
	Units (Lac Kwh)	<b>36.22</b>	<b>1.165</b>	<b>37.385</b>	38.22	1.26	39.48
	Total Amount (Rs. Lacs)	<b>179.07</b>	<b>@ 5.78</b>	<b>184.03</b>	180.77	6.97	187.74
	Rate/Unit (Rs.)	<b>4.94</b>	<b>4.96</b>	<b>4.95</b>	4.76	5.55	5.15
	b) Own Generator						
	(i) Through Diesel						
	Generator Units (Kwh)	<b>5030.00</b>	-	<b>5030.00</b>	7680.00	-	7680.00
	Units/Ltr. Of Diesel Oil (Kwh)	<b>1.28</b>	-	<b>1.28</b>	1.47	-	1.47
	Cost/Unit (Rs.)	<b>15.6</b>	-	<b>15.6</b>	11.50	-	11.50
	(ii) Through Steam Turbine/Generator			<b>NOT APPLICABLE</b>			<b>NOT APPLICABLE</b>
2	Coal			<b>NOT APPLICABLE</b>			<b>NOT APPLICABLE</b>
3	Furnace Oil						
	Qty. (K. Ltrs.)	<b>148.91</b>	-	<b>148.91</b>	173.00	-	173.00
	Total Amount (Rs. Lacs)	<b>15.85</b>	-	<b>15.85</b>	20.68	-	20.68
	Average Rate (Rs. Ltrs.)	<b>10.65</b>	-	<b>10.65</b>	11.96	-	11.96
4	Others/Internal Generation			<b>NOT APPLICABLE</b>			<b>NOT APPLICABLE</b>

@ Minimum M.D. charges, ETP running charges, Street lights and testings.



**(B) ENERGY CONSUMPTION PER UNIT OF PRODUCTION**

	STANDARDS	CURRENT YEAR (01.01.01 To 31.12.01)		PREVIOUS YEAR (01.01.01 To 31.12.01)	
		(Formulations)	(Bulk Drugs)	(Formulations)	(Bulk Drugs)
		Per Pack	Per Kg	Per Pack	Per Kg
		Pharma	Chemical	Pharma	Chemical
Electricity	*	0.230 (Kwh)	No production	0.214(Kwh)	No production
Furnace Oil		0.0095 (Ltrs.)	No production	0.0097(Ltrs)	No production
Coal/Others		Not Applicable	Not Applicable	Not Applicable	Not Applicable

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

**II Research & Development and Technology Absorption**

Details of efforts made in technology absorption are given below :

**A. Research & Development (R&D)**

- (i) Specific areas in which R & D is carried out by the Company.
  - Development of new products and line extension in the field of antivirals and antibacterials.
  - Reformulation of existing products and processes to improve product stability, product yield and substitution of imported raw materials.
  - Development of new packaging materials and generation of comparative storage data.
  - Development of analytical methods for new formulations.
- (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 in 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. Lakhs Current Year
(a) Capital	Nil
(b) Recurring	25.02
(c) Total	25.02
(d) Total R&D expenditure as a percentage of total turnover	0.15%

**B. Technology absorption, adaption and innovation :**

- (i) Efforts, in brief, made towards technology absorption, adaption and innovation:  
Through continuous process improvement work of R & D, the Company has adopted the process used by GlaxoSmithKline plc 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) Your Company has not imported any technology on payment of consideration in the last five years. However, the technical information of GlaxoSmithKline Group in upgrading technologies is made available whenever required.

### C. 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 Lacs
A. Total foreign exchange used :	
(a) On import of Raw materials, spare parts and capital goods on CIF basis	1285.40
(b) Expenditure in foreign currencies for Business travels, subscriptions etc	2.54
(c) Remittance during the year in foreign currency on account of dividend	234.01
B. Total foreign exchange earned	85.00

On behalf of the Board of Directors



**D S Parekh**  
Chairman

Mumbai : 4th March 2002

## Annexure 'B' to the Directors' Report

Statement under Section 217 2(A) of the Companies Act, 1956

NAME	AGE	QUALIFICATION	DATE OF EMPLOYMENT	EXPERIENCE (YEARS)	DESIGNATION	REMUNERATION (RUPEES)	PARTICULARS OF LAST EMPLOYMENT: LAST POST, EMPLOYER, (NO. OF YRS. SERVICE)
Mr. V. Thyagarajan	55	B. Tech (Elec), M.B.A., M.B.I.M. (London)	1.1.2001	31	Managing Director	12,02,264*	Area Director, GW Asia Pacific Pte Ltd., Singapore (5)
Ms. Dhun Sen	42	B.A.	2.5.1986	15	Accounts Executive	14,35,638	Clerk/Steno, J. M. Financial, (2)

\* This represents 25% of the total remuneration paid to Mr. V. Thyagarajan by GlaxoSmithKline Pharmaceuticals Limited cross charged to the Company.

- Notes:
1. All appointments are/were contractual and can be terminated by notice on either side.
  2. The employments are subject to the rules and regulations of the Company in force from time to time.
  3. No Director is related to any other Director. None of the above employees are related to any Director of the Company.
  4. None of the employees hold more than 2% of the paid-up capital of the Company.
  5. Remuneration includes salary, commission, VRS compensation, medical expenses, leave travel concession, leave encashment on retirement, the Company's contribution to Provident, Pension Funds and Gratuity. Where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of such perquisites is calculated in accordance with the Income-tax Act, 1961 and the rules made thereunder.