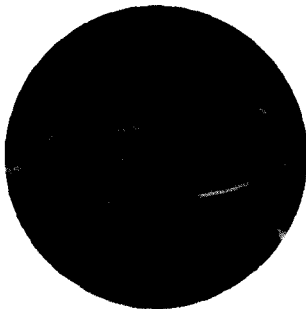




ANNUAL REPORT
YEAR ENDED
31st DECEMBER 2002



*An affiliate of GlaxoSmithKline plc



Board of Directors



D S Parekh, Chairman

Mr Parekh is a Fellow of the Institute of Chartered Accountants (England and Wales). He has held senior positions in Grindlays and Chase Manhattan. Mr Parekh Joined Housing Development Finance Corporation Limited in 1978 and was Managing Director from April 1985. He is the Chairman of HDFC since February 1993. Mr Parekh is a member of various Committees set up by the Government of India. He is a Director and Chairman of the Company since May 1998.



S N Talwar, Independent Director

Mr S N Talwar is a graduate in Commerce and Law from the Bombay University. He is an Advocate and Solicitor of the Bombay High Court. Mr Talwar has been associated with M/s.Crawford Bayley, a firm of Advocates & Solicitors and has been the partner of the firm since 1976. He specialises in Corporate Laws, Corporate Tax, Foreign Exchange Laws, International Issue of Securities by the Indian Companies, Commercial Documentation and Joint Venture. He is Legal Counsel to numerous Indian Companies, Multinational Corporations, Indian and Foreign Banks. He is a Director of the Company since November 1995.



N Ranthi Dev, Non-Executive Director

Mr Ranthi Dev joined Burroughs Wellcome in 1975 and he has held various positions of increasing responsibility, including Vice-President, Site Director at Greenville for Glaxo Wellcome Inc in the US and later Vice-President of the Biopharmaceutical Operations for Glaxo Wellcome Inc in Rhode Islands. Mr Ranthi Dev has extensive and diverse experience of primary and secondary pharmaceutical manufacturing. He is the Vice-President, International Supply, Global Manufacturing & Supply (GMS) and is the Area Supply Director for Asia Pacific. He is responsible for GMS International's manufacturing and supply sites in South and South-East Asia. He is a Director of the Company since January 2001.



P Driver, Non-Executive Director

Mr Driver is a member of the Institute of Chartered Accountants (England and Wales) and the Canadian Institute of Chartered Accountants. He joined GlaxoSmithKline in 1989 and is currently Vice-President, Finance for Asia Pacific, based in Singapore. Prior to his current role, Mr Driver was Finance Director for Operations in Canada, Latin America and North Asia. He is a Director of the Company since February 2001.



S Kalyanasundaram, Managing Director

Mr Kalyanasundaram is a graduate in science and a Chartered Accountant. He started his career with N. V. Philips, India, in 1981. He joined Wellcome New Zealand in 1988 as Commercial Advisor and moved on to become Commercial Director. Mr Kalyanasundaram moved to Glaxo Wellcome, Singapore, as Managing Director in 1995. He joined GlaxoSmithKline Pharmaceuticals Limited in November 2000 as Director, Pharmaceuticals. He has been appointed Managing Director of the Company and GlaxoSmithKline Pharmaceuticals Limited with effect from 1st January 2003.



P V Nayak, Non-Executive Director

Mr P V Nayak has been associated with GlaxoSmithKline Pharmaceuticals Limited since 1989 and is currently Senior Executive Director in charge of Human Resources, Legal and Licensing, Corporate Communications and the Agrivet Farm Care business of that Company. His rich and varied experience spanning over three decades includes expertise in general management, leading specialist functions and handling independent profit centres. He is a Director of the Company since May 1996.

BURROUGHS WELLCOME (INDIA) LIMITED

BURROUGHS WELLCOME (INDIA) LIMITED
Fifty-fourth Annual Report
2002



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Company Secretary

S Balasubramanian

Auditors

Lovelock & Lewes

Bankers

CitiBank N.A.

Corporation Bank

Hongkong & Shanghai Banking Corporation Limited

Standard Chartered Bank

State Bank of India

Registered Office

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

Tel: 24959595 Fax No. 24959494

Registrars & Share Transfer Agents

GlaxoSmithKline Consumer Healthcare Limited,
DLF Plaza Tower, DLF City, Phase - I,
Gurgaon - 122 002 (Haryana)

Tel: 0124 - 26540700-03

Fax: 0124 - 26540720

Solicitors

Crawford Bayley & Co.

BURROUGHS WELLCOME (INDIA) LIMITED**Directors' Report**

The Directors have pleasure in submitting their Report for the year ended 31st December 2002.

1. Results for the year ended 31st December 2002

	Year ended 31st December 2002	Year ended 31st December 2001
	Rs. in lakhs	Rs. in lakhs
Profit before Taxation	53,17.07	27,02.34
Less: Provision for Taxation	18,06.40	9,25.00
Profit after Tax	35,10.67	17,77.34
Add: Balance brought forward from the previous year ...	3,95.33	2,49.37
Amount available for appropriation	39,06.00	20,26.71
 Appropriations:		
Equity Dividend (previous year subject to deduction of tax)	10,09.45	6,88.26
Distribution Tax on Dividend (previous year write back relating to the year 2000)	1,29.34	(56.88)
Transfer to General Reserve	5,00.00	10,00.00
Balance retained in Profit & Loss Account	22,67.21	3,95.33

2. Dividend

The Directors recommend the payment of a Dividend of Rs. 11.00 per Equity Share for the year (previous year Rs. 7.50 per Equity Share). If approved by the Members at the Annual General Meeting, the Dividend will absorb Rs. 10.09 crores. The Dividend Distribution Tax borne by the Company amounts to Rs. 1.29 crores.

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

For the second consecutive year, the growth of the Indian Pharmaceuticals Market is in single digit. According to the ORG-MARG Report, the market grew by 8.3% in 2002 (Source: ORG MAT December 2002). The industry has slowed down from the 3rd quarter of 2002 and in the 4th quarter registered a meagre 4% growth – one of the lowest in last 3 years. A major shift in the characteristic of the market is that the chronic therapy segment is growing at a much rapid pace compared to the acute therapy segments.

In line with the industry growth, your Company registered a sales growth of 7.8% during the year. The improvement on product margins and tight control on expenses have resulted in the Profit After Tax registering a growth of 98%. Most of the products of your Company are in the mature therapeutic segments where growth opportunities are limited.

Calpol is amongst the top five prescribed products in the country (Source CMARC) and has also been able to maintain the market share despite severe competition from



other products. As a part of the product life cycle management strategy, line extensions of Calpol have been introduced in the market and are expected to further consolidate the equity of Calpol.

New products have been the major driver of growth for Indian companies; in the absence of product patent protection in India they have the advantage of introducing internationally researched new molecules through different processes.

The introduction of "generic generics", which had changed the dynamics of the market in terms of pricing and promotion, is showing signs of decline.

(b) The Exports business

The Export 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 the last couple of years, exports are continuing to decline.

During the year exports of the Company's products on FOB basis amounted to Rs. 17.48 lakhs as compared to Rs. 80.99 lakhs in the previous year.

(c) Internal Control Systems

The Company maintains a system of Internal control, including suitable monitoring procedures. The Internal Audit Department regularly conducts a review to assess the financial and operating controls at various locations of the Company. Any significant issue is required to be brought to the attention of the Audit Committee of the Board. The Statutory Auditors and the Head of Internal Audit are invited to attend the Audit Committee meetings.

(d) Employee Relations

Your Company has a staff strength of 557 permanent employees on its payroll as on 31st December 2002.

The Company's Notice of Change and Charter of Demands of internal and external unions are pending before the Court. The unions have insisted on Interim Relief.

A demand by canteen contract workmen for permanency is pending before the Contract Labour Advisory Board.

(e) Others

The Company's new ERP (Enterprise Resource Planning) systems, JDEdwards for Sales & Financials and BPCS for Manufacturing, were commissioned in a record time of less than six months and have stabilised satisfactorily. Benefits are seen in the form of reduction in accounts receivables and greater accuracy in sales forecasting.

The Manufacturing site has completed 1 million man-hours without a lost time accident for the second time during this year.

Capital expenditure incurred during the year under review amounted to Rs. 61.89 lakhs.

(g) 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.

BURROUGHS WELLCOME (INDIA) LIMITED**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 Earning per Share. This statement, which has been audited by the Statutory Auditors, is part of the Annual Report.

5. Directors**Resignation**

Consequent to the elevation of Mr. V. Thyagarajan to the position of Senior Vice-President, Asia Pacific, GSK plc, he ceased to be the Managing Director of the Company on 31st December 2002. The Board places on record its deep appreciation of the services rendered by Mr. V. Thyagarajan as Managing Director and for his significant contributions to the growth and profitability of the Company.

Appointment

The Board of Directors have appointed Mr. S. Kalyanasundaram as the Managing Director of the Company for a period of five years with effect from 1st January 2003. A proposal for his appointment as the Managing Director is being placed before the Members for approval at the Annual General Meeting.

Retiring Director

Mr. S. N. Talwar retires by rotation and is eligible for re-appointment. The Board recommends his re-appointment.

6. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2002 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, 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

In order to align with the GlaxoSmithKline group's policy worldwide, members are requested to appoint M/s. Price Waterhouse & Co, Chartered Accountants, as the Auditors of the Company in place of M/s. Lovelock & Lewes, Chartered Accountants (Member of the PricewaterhouseCoopers Group) and authorise the Audit Committee to fix their remuneration.

10. General

- (i) The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed. There were no employees drawing remuneration as per the ceiling prescribed under Section 217(2A) of the Companies Act, 1956.
- (ii) The Directors express their appreciation for the contribution made by employees to the operations of the Company.

On behalf of the Board of Directors

D S Parekh
Chairman

Mumbai : 12th March 2003.

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BURROUGHS WELLCOME (INDIA) LIMITED**Annexure to the Directors' Report**

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the calendar year ended 31st December 2002.

I Conservation of Energy:

1. Energy conservation measures taken :
 - Installation and commissioning of Vapour Absorption Machine for air-conditioning has helped the Company to save substantial amount by reducing the consumption of electricity, as well as comply with the Environment Regulation in eliminating the ozone depleting substances.
 - Introduction of natural gas for the Vapour Absorption Chiller, Boiler and Canteen Burners, has resulted in substantial saving in fuel expenditure.
 - Introduction of automatic power factor improvement panel, has helped achieve the incentive offered by MSEB.
 - Replacement of incandescent lamps with energy efficient fluorescent lamps has reduced the usage of electrical power.
 - Synchronised operation of AHUs based on production schedule has eliminated idle running of AHUs to bring in savings.
2. The energy conservation measures at site for the year 2002 has culminated in savings to the tune of Rs.31 lakhs.
3. This has helped the site to reduce the total expenditure, thus reducing the overheads on production cost.

(A) Power and Fuel Consumption						
		CURRENT YEAR (01.01.02 to 31.12.02)			PREVIOUS YEAR (01.01.01 to 31.12.01)	
		Pharma	Chemical	Total	Pharma	Chemical
1	Electricity					
a)	Purchased:					
	Units (Lakh Kwh)	40.035	0.652	40.687	36.22	1.165
	Total amount (Rs. Lakhs)	177.690	*4.030	181.720	179.07	*5.78
	Rate/Unit (Rs.)	4.440	6.190	5.30	4.94	4.96
b)	Own Generator :					
(i)	Through Diesel					
	Generator Units (Kwh)	11720.000	-	11720.000	5030.00	-
	Units/Ltr. of Diesel oil (Kwh)	1.80	-	1.80	1.28	-
	Cost/Unit (Rs.)	13.33	-	13.33	15.6	-
(ii)	Through Steam					
	Turbine/Generator		NOT APPLICABLE			NOT APPLICABLE
2	Coal					
3	Furnace Oil					
	Qty. (K. Ltrs.)	194.55	-	194.55	148.91	-
	Total Amount (Rs. Lakhs)	23.83	-	23.83	15.85	-
	Average Rate (Rs./Ltr.)	12.38	-	12.38	10.65	-
4	Natural Gas					
	For A.C. Plant:					
	Qty. (S.C.M.)	121037.00	-	121037.00	Nil	-
	Total Amount (Rs. Lakhs)	9.13	-	9.13	Nil	-
	Average Rate (Rs./S.C.M.)	7.54	-	7.54	Nil	-
	For heating:					
	Qty. (S.C.M.)	58624.00	-	58624.00	Nil	-
	Total Amount (Rs. Lakhs)	5.91	-	5.91	Nil	-
	Average Rate (Rs./S.C.M.)	10.09	-	10.09	Nil	-
5	Others/Internal Generation		NOT APPLICABLE			NOT APPLICABLE

* Minimum MD charges, streetlights and water pump charges.

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

	STANDARDS	CURRENT YEAR (01.01.02 to 31.12.02)		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 (Kwh)	*	0.22	No production	0.23	No production
Furnace Oil		0.01	No production	0.01	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 antiviral 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	11.51
(c) Total	11.51
(d) Total R&D expenditure as a percentage of total turnover	0.06%

B. Technology absorption, adaption and innovation

(i) Efforts, in brief, made towards technology absorption, adoption and innovation.

Through continuous process improvement work of R & D, the Company has adopted the process used by GlaxoSmithKline plc with appropriate modifications. Operational Excellence programme was initiated at the site, which offered several advantages, including cost benefit, safety, quality, etc.

(ii) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution.

BURROUGHS WELLCOME (INDIA) LIMITED

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 lakhs
A. Total foreign exchange used :	
(a) On import of raw materials, finished goods and capital goods on CIF basis	16,63.68
(b) Expenditure in foreign currencies for business travels, subscriptions etc	5.45
(c) Remittance during the year in foreign currency on account of dividend	2,52.19
B. Total foreign exchange earned	18.49

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On behalf of the Board of Directors

D S Parekh
Chairman

Mumbai : 12th March 2003