

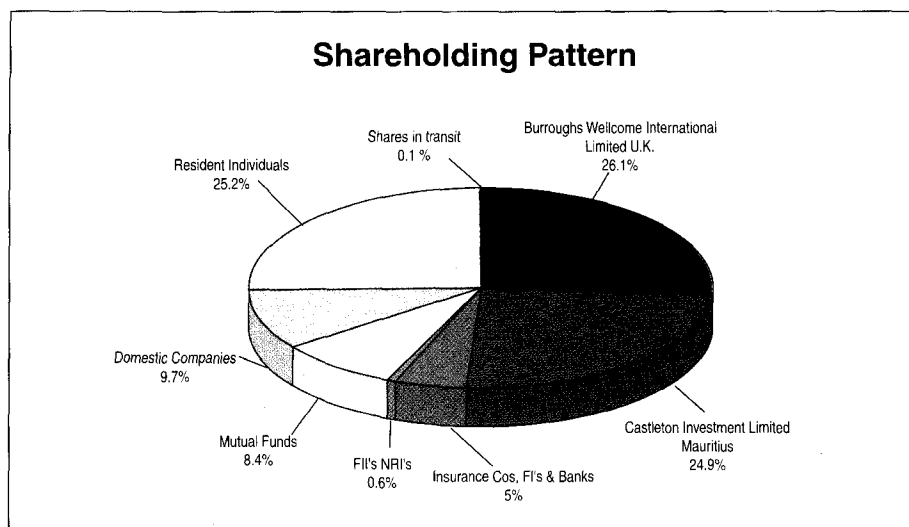
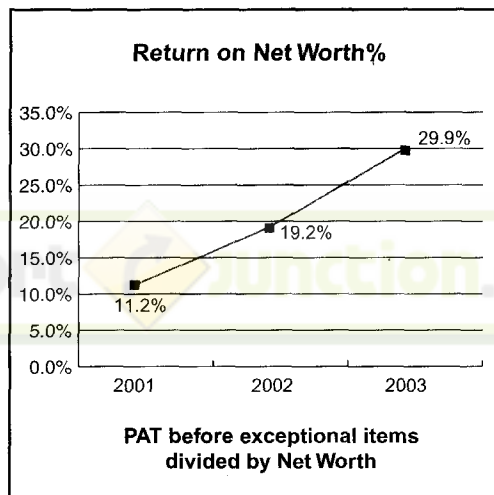
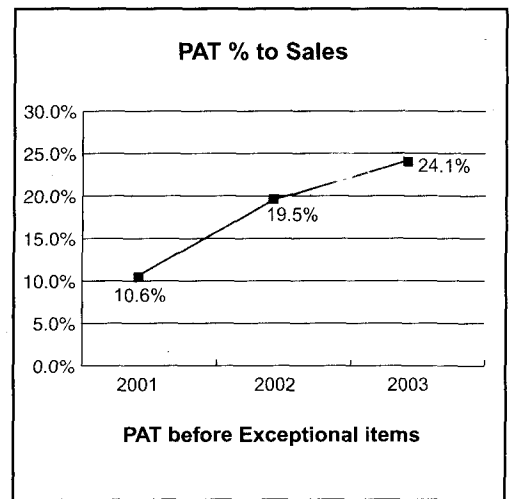
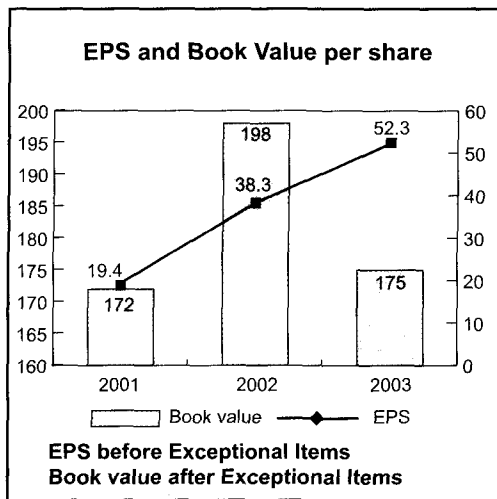
Wellcome



Annual Report
Year Ended
31st December 2003

BURROUGHS WELLCOME (INDIA) LIMITED*

BURROUGHS WELLCOME (INDIA) LIMITED



BURROUGHS WELLCOME (INDIA) LIMITED
Fifty-fifth Annual Report
2003



Board of Directors

(As on 06.02.2004)

Chairman

D. S. Parekh

Auditors

Price Waterhouse & Co.

Managing Director

S. Kalyanasundaram

Solicitors

Crawford Bayley & Co.

Directors

Dr. A. Banerjee *(w.e.f. 01.01.04)*

N. Ranthi Dev *(upto 31.12.03)*

P. Driver *(upto 28.10.03)*

P. V. Nayak

Dr. M. Reilly *(w.e.f. 28.10.03)*

S. N. Talwar

Registrars & Share Transfer Agents

GlaxoSmithKline Consumer Healthcare Limited,

DLF Plaza Tower, DLF City, Phase - I,

Gurgaon - 122 002

Tel: 0124 - 2540700-03 Fax: 0124 - 2540720

Company Secretary

S. Balasubramanian

Registered Office

252, Dr Annie Besant Road, Worli,

Mumbai 400 030.

Telephone: 24959595

Fax: 24959494

Bankers

CitiBank N.A.

Corporation Bank

Hongkong & Shanghai Banking Corporation Limited

Standard Chartered Bank

State Bank of India

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BURROUGHS WELLCOME (INDIA) LIMITED

Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2003.

1. Results for the year ended 31st December 2003

	Year ended 31st December 2003	Year ended 31st December 2002
	Rs. in lakhs	Rs. in lakhs
Net Sales	198,66.54	180,11.08
Profit before Taxation and Exceptional Items	74,31.71	53,17.07
Less: Provision for Taxation	26,34.35	18,06.40
Profit after Taxation and before Exceptional Items	47,97.36	35,10.67
Exceptional items	(53,78.73)	—
Net Profit /(Loss)	(5,81.37)	35,10.67
Add: Balance brought forward from the previous year ...	22,67.21	3,95.33
Amount available for appropriation	16,85.84	39,06.00
Appropriations (Transfers):		
Provision for contingencies written back	4,00.00	—
Equity Dividend	13,76.52	10,09.45
Distribution Tax on Dividend	1,76.37	1,29.34
Transfer to General Reserve	—	5,00.00
Balance retained in Profit & Loss Account	5,32.95	22,67.21

2. Dividend

The Directors recommend the payment of a dividend of Rs. 15.00 per Equity Share for the year (previous year Rs.11.00 per Equity Share). If approved by the Members at the Annual General Meeting, the Dividend will absorb Rs. 13.77 crores. The Dividend Distribution Tax borne by the Company amounts to Rs. 1.76 crores.

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

Your Company commands a 5.6% market share for the combined GlaxoSmithKline group companies retaining the No. 1 position in the Indian Pharmaceuticals market (Source : ORG MAT December 2003). Your Company achieved pharmaceuticals sales of Rs.198 crores registering a growth of 10% over the previous year. The Indian Pharmaceuticals market grew by 5.1% this year (Source : ORG MAT December 2003), one of the lowest growth rates in recent times. This low growth can be attributed mainly to the slowdown in retail purchases on account of the confusion over the introduction of VAT coupled with an industry-wide volume and price decline. Industry growth continues to be driven by chronic segments such as Anti-Diabetes, Cardiovascular, Central Nervous System and Anti-Ulcerants.

Calpol is now the No. 1 prescribed brand in the country (Source : Cmarc Prescription Audit). 5 of your Company's brands, namely, Neosporin, Actifed, Calpol, Zyloric and



Septran, feature among the top 300 brands. Through focussed promotional efforts demand for the major brands has been growing.

Profit after Tax and before Exceptional Items increased by 37%, to Rs. 48 crores in 2003. A strong sales growth, particularly for Calpol, supported by manufacturing / procurement efficiencies, helped improve the Gross Margin percentage (i.e. Net Sales less Material Costs and Excise Duty as a percentage of Net Sales) to 56.9% in 2003 as compared to 53.6% last year. The closure of operations at the Mulund Factory in the later part of the year resulted in cost efficiencies and helped improve profits.

In line with prudent accounting practice and bearing in mind the provisions of Accounting Standards of the Institute of Chartered Accountants of India, the Company has fully written off the costs associated with the separation of staff at the Mulund factory and closure of operations at that site. Exceptional Items (net of Tax) amount to Rs. 53.8 crores. Consequently, the financial results, net of Exceptional Items, have resulted in a net loss of Rs. 5.8 crores for the year.

(b) Internal Control Systems

The Company maintains a system of internal control, including suitable monitoring procedures. The Internal Audit Department of GlaxoSmithKline Pharmaceuticals Limited 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 (of GlaxoSmithKline Pharmaceuticals Limited) are invited to attend the Audit Committee meetings.

(c) Employee Relations

The Company had introduced a Voluntary Retirement Scheme (VRS), at its Mulund factory whereby Management Staff and Workmen opted for VRS. The workmen have been separated effective 1st September 2003. The management cadres were offered 'Career Transition' workshops to guide them in their future vocation and in planning their investments. All employees extended their cooperation to meet market demands of your Company's products during the phasing out of operations.

Consequently, as at 31st December 2003, your Company had a staff strength of one permanent employee who was not offered VRS, since the employee has been suspended (pending enquiry) on disciplinary grounds.

During the year, the Company had cordial relations with its employees and the Union. The External Union's application for Interim Relief for increase in their wages was rejected by the Industrial Tribunal.

(d) 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. Directors****Resignations**

Mr. P. Driver and Mr. N. Ranthi Dev resigned as Directors. The Board places on record its appreciation for their valuable services during their tenure as Directors and for their contributions to the deliberations of the Board.

Appointments

Dr. M. Reilly and Dr. A. Banerjee have been appointed as Non-Executive Directors with effect from 28th October 2003 and 1st January 2004 respectively. These Directors have been appointed to fill the casual vacancies caused by the resignations of Mr. P. Driver and Mr. N. Ranthi Dev respectively.

Retiring Director

Dr. M. Reilly retires by rotation and is eligible for re-appointment. The Board recommends his re-appointment.

5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st December 2003 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 a 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 Agreement with the Stock Exchange. 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' 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.



8. 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.

9. 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, 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.
- (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: 6th February 2004

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BURROUGHS WELLCOME (INDIA) LIMITED

Annexure 'A' 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 2003.

I. Conservation of Energy:

- Several energy conservation projects were implemented. Some of the areas include –
 - (i) ETP treated water was diverted for re-use mainly for gardening.
 - (ii) Reduced the h.p. of the motor drive with a lower h.p. drive based on actual requirements.
 - (iii) Use of Natural Gas for Air Conditioning.
 - (iv) Power factor improvement.
 - (v) PLC controls and accurate temperature control of Autoclaves and Dry Heat Sterilizers.
- The energy conservation measures at site resulted in a saving of approximately Rs.66 Lakhs.

A) Power and Fuel Consumption		CURRENT YEAR (01.01.03 to 31.12.03)			PREVIOUS YEAR (01.01.02 to 31.12.02)		
		Pharma	Chemical	Total	Pharma	Chemical	Total
1	Electricity						
	a) Purchased:						
	Units (Lakh Kwh)	24.742	0.528	25.270	40.035	0.652	40.687
	Total amount (Rs. Lakhs)	111.940	2.270	114.210	177.690	4.030	181.720
	Rate/Unit (Rs.)	4.524	4.300	4.520	4.440	6.181	5.30
	b) Own Generation :						
	(i) Through Diesel Generator						
	Units (Kwh)	2,814.000	-	2,814.000	11,720.000	-	11,720.000
	Units/Ltr. of Diesel oil (Kwh)	2.380	-	2.380	1.800	-	1.800
	Cost/Unit (Rs.)	11.320	-	11.320	13.330	-	13.330
2	Coal	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3	Furnace Oil						
	Qty. (K. Ltrs.)	94.340	-	94.340	194.550	-	194.550
	Total Amount (Rs. Lakhs)	14.440	-	14.440	23.830	-	23.830
	Average Rate (Rs./Ltr.)	15.306	-	15.306	12.380	-	12.380
4	Natural Gas						
	For A.C. Plant:						
	Qty. (S.C.M.)	207,788.000	-	207,788.000	121,037.00	-	121,037.00
	Total Amount (Rs. Lakhs)	19.570	-	19.570	9.130	-	9.130
	Average Rate (Rs./S.C.M)	9.418	-	9.418	7.540	-	7.540
	For heating:						
	Qty. (S.C.M.)	-	-	-	58,624.000	-	58,624.000
	Total Amount (Rs. Lakhs)	-	-	-	5.910	-	5.910
	Average Rate (Rs./S.C.M)	-	-	-	10.090	-	10.090



(B) Energy Consumption Per Unit of Production

	Current Year (01.01.03 to 31.12.03)		Previous Year (01.01.02 to 31.12.02)	
	(Formulations)	(Bulk Drugs)	(Formulations)	(Bulk Drugs)
	Per Pack	Per Kg	Per Pack	Per Kg
	Pharma	Chemical	Pharma	Chemical
Electricity (Kwh)	0.209	No production	0.22	No production
Furnace Oil Ltrs	0.008	No production	0.01	No production
Coal/Others	Not Applicable	No production	Not Applicable	No production

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 antibacterial, reformulation of existing products and processes to improve product stability, product yield and substitution of imported raw materials
- 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:

The 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	2.71
(c) Total	2.71
(d) Total R&D expenditure as a percentage of total turnover	0.01%

B. Technology, absorption, adaptation and innovation :

(i) Efforts, in brief, made towards technology absorption, adaptation 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.

For e.g. installation of non-fill detection system on the strip packing line for 4 major products resulted in increasing productivity and reducing market complaints.

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

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, spare parts and capital goods on CIF basis	13,10.54
(b) Expenditure in foreign currencies for business travels, subscriptions etc	2.93
(c) Remittance during the year in foreign currency on account of dividend	5,14.82
Total	<u>18,28.29</u>
B. Total foreign exchange earned	Nil

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On behalf of the Board of Directors

D. S. Parekh
Chairman

Mumbai: 6th February 2004