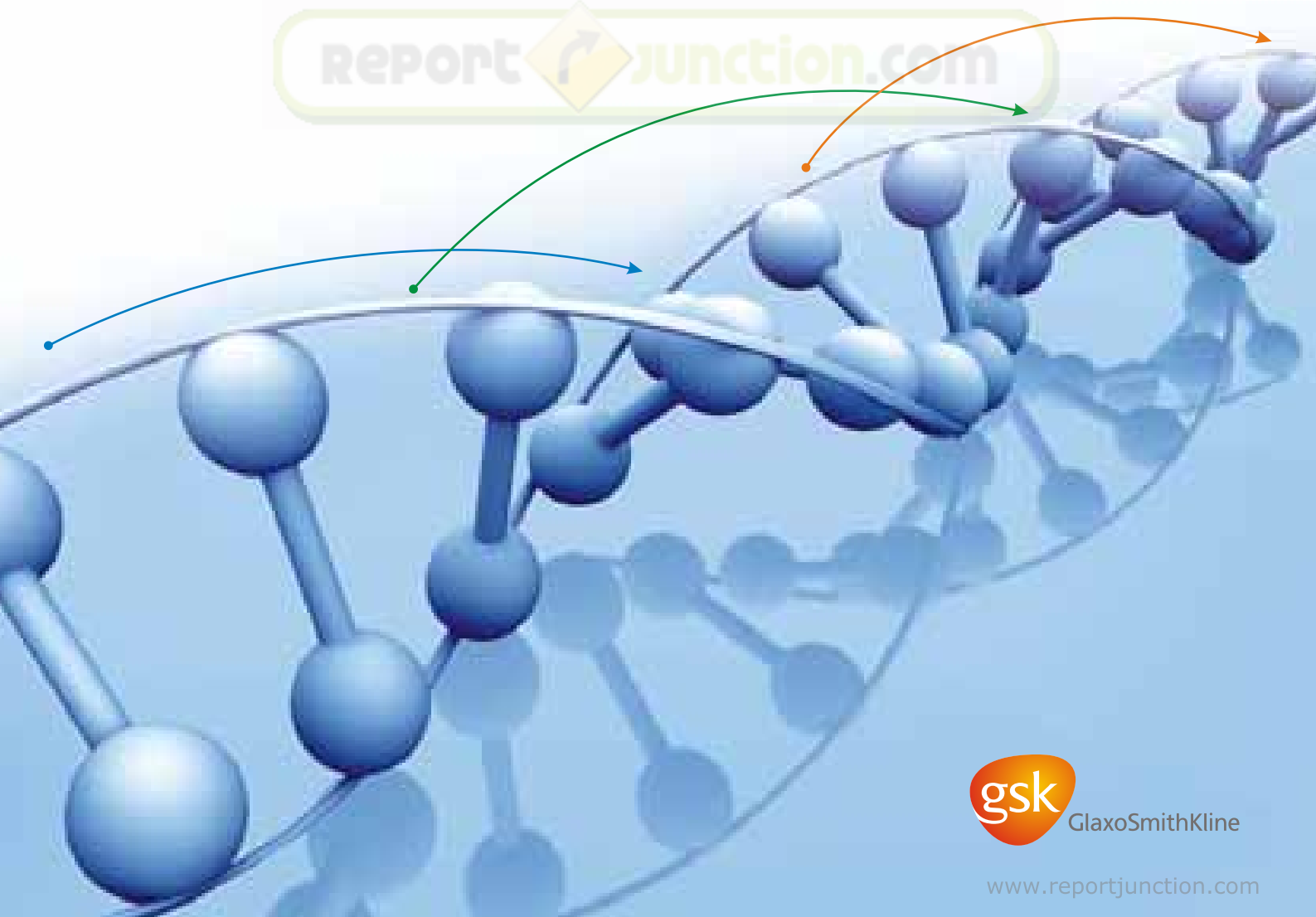


GlaxoSmithKline Pharmaceuticals Limited

Annual Report for the year ended 31st December 2010

Embedding growth
into the corporate DNA

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Board of Directors

(As on 14.02.2011)

Chairman

D. S. Parekh

Vice-Chairman

V. Thyagarajan

Managing Director

Dr. H. B. Joshipura

Directors

R. R. Bajaaj

Dr. A. Banerjee

P. V. Bhide (w.e.f. 28.10.2010)

S. Harford (w.e.f. 28.10.2010)

M. B. Kapadia

N. Kaviratne

V. Narayanan

P. V. Nayak

A. M. Nimbalkar (upto 27.04.2010)

R. C. Sequeira

D. Sundaram

General Manager - Administration &

Company Secretary

A. A. Nadkarni

Factories

- 2nd Pokhran Road, Thane

- Ambad, Nashik

Bankers

Citibank N.A.

Deutsche Bank

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

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: kvpnair@karvy.com

Share Department

Dr. Annie Besant Road,

Mumbai 400 030

Telephone: 022-24959415/434

Fax: 022-24981526

Email: ajay.a.nadkarni@gsk.com

Management Team

Managing Director

Dr. H. B. Joshipura

Senior Executive Directors

M. B. Kapadia

ñ Finance

ñ Corporate Communications,
Secretarial & Administration

Dr. A. Banerjee

ñ Technical

Executive Director

R. C. Sequeira

ñ Human Resources

Executive Vice-Presidents

Dr. S. Joglekar

ñ Medical & Clinical Research

M. K. Vasanth Kumar

ñ Supply Chain

Vice-Presidents

R. Bataria

ñ Pharmaceuticals

H. Buch

ñ Pharmaceuticals

S. Khanna

ñ Finance

S. Patel

ñ Legal & Corporate Affairs

C. T. Renganathan

ñ Pharmaceuticals

General Manager

S. Rajan

ñ Corporate Communications

Registered Office

Dr. Annie Besant Road

Mumbai 400 030

Telephone: 022-24959595

Fax: 022-24959494

Website: www.gsk-india.com

Contents

Performance Summary & Charts	2
Directors' Report	3
Annexure to Directors' Report	9
Report on Corporate Governance	12
Auditors' Report	25
Financial Statements	28
Statement pursuant to Section 212	54
Biddle Sawyer Limited	55
Consolidated Financial Statements	61

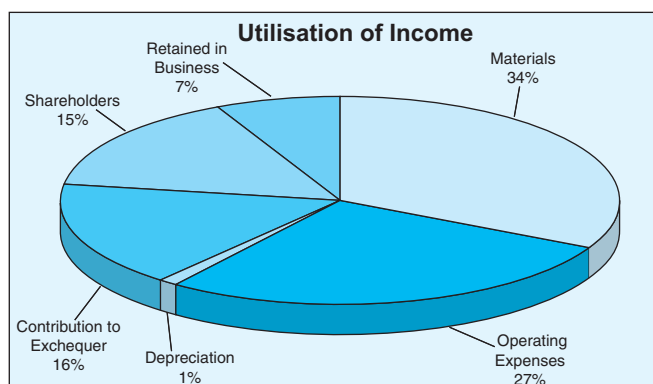
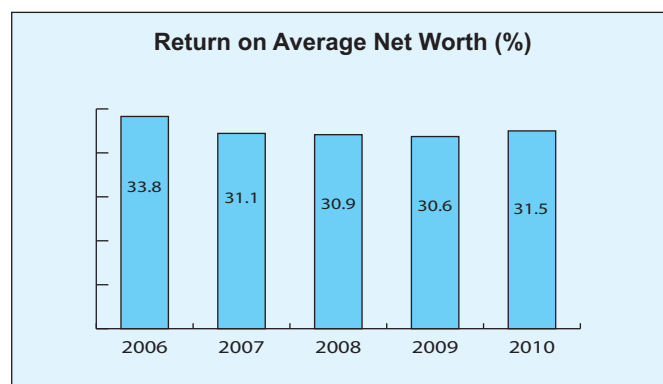
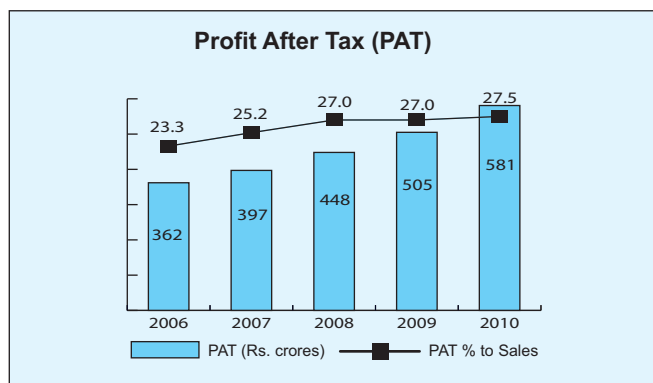
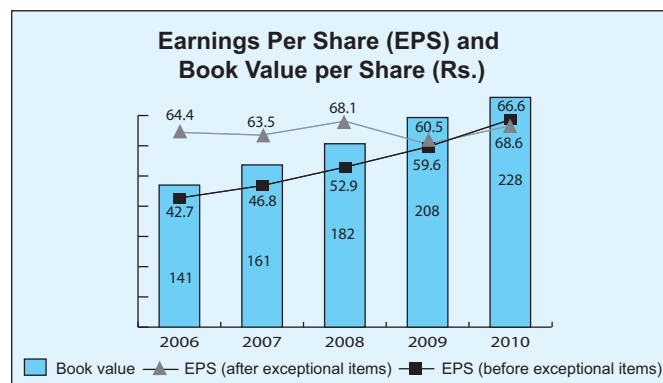
Performance Summary

(Amounts in Rupees Lakhs)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
PROFIT AND LOSS ACCOUNT										
Sales	2155,08	1912,77	1751,56	1712,84	1677,57	1575,89	1479,59	1191,69	1148,22	1097,37
Profit before tax	867,27	758,48	679,90	606,73	555,95	477,91	418,24	284,56	196,33	115,58
Tax	285,89	253,59	231,54	209,94	194,23	171,63	152,19	102,70	67,86	40,26
Profit after tax	581,38	504,89	448,36	396,79	361,72	306,28	266,05	181,86	128,47	75,32
Exceptional items (net of tax)	(17,69)	7,40	128,21	140,87	183,79	195,80	67,04	(9,63)	(30,41)	(31,34)
Net Profit	563,69	512,29	576,57	537,66	545,51	502,08	333,09	172,23	98,06	43,98
Dividends-equity	338,81	254,11	338,81	304,93	262,58	237,17	209,57	74,47	52,13	40,96
Tax on distributed profit	53,21	40,13	57,58	51,82	36,83	33,26	27,39	9,54	6,68	(5,16)
Retained Earnings	171,67	218,05	180,18	180,91	246,10	231,65	96,13	88,22	39,25	8,18
BALANCE SHEET										
Equity Capital	84,70	84,70	84,70	84,70	84,70	84,70	87,32	74,48	74,48	74,48
Reserves	1846,11	1674,45	1456,39	1276,21	1110,01	863,91	836,94	593,01	504,80	486,10
Net Worth	1930,81	1759,15	1541,09	1360,91	1194,71	948,61	924,26	667,49	579,28	560,58
Borrowings	5,16	5,42	5,65	5,77	5,54	4,85	3,85	2,86	1,98	9,71
Total Capital Employed	1935,97	1764,57	1546,74	1366,68	1200,25	953,46	928,11	670,35	581,26	570,29
Net Fixed Assets	117,65	114,17	100,35	92,90	94,46	96,94	91,49	99,38	115,40	137,62
Investments	160,35	190,91	751,87	1333,32	1139,41	913,06	776,82	409,12	162,00	151,68
Net Current Assets	1657,97	1459,49	694,52	(59,54)	(33,62)	(56,54)	59,80	161,85	303,86	280,99
OTHER KEY DATA										
Rupees per Rs.10/- Equity Share	40.00	30.00	22.00	18.00	17.00	14.00	13.00	10.00	7.00	5.50
DIVIDENDS	—	—	18.00	18.00	14.00	14.00	11.00	—	—	—
SPECIAL ADDITIONAL DIVIDEND	—	—	18.00	18.00	14.00	14.00	11.00	—	—	—
TOTAL	40.00	30.00	40.00	36.00	31.00	28.00	24.00	10.00	7.00	5.50
EARNINGS before exceptional items	68.64	59.61	52.93	46.84	42.70	35.69	30.47	24.42	17.25	10.11
EARNINGS after exceptional items	66.55	60.48	68.07	63.48	64.40	58.51	38.15	23.13	13.17	5.90
BOOK VALUE	227.96	207.69	181.95	160.67	141.05	112.00	105.85	89.63	77.78	75.27
Number of employees	4338	4006	3722	3620	3850	4016	4136	4271	4654	5338

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 financial statements, to facilitate comparison.

Charts



Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31st December 2010

1. Results for the year ended 31st December 2010

	Year ended 31 st December 2010 Rs. in Lakhs	Year ended 31 st December 2009 Rs. in Lakhs
SALES (Gross)	2155,08.20	1912,77.03
Less: Excise duty on Sales	43,43.95	42,00.31
NET SALES	2111,64.25	1870,76.72
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	867,26.60	758,48.20
Less: Provision for Taxation	285,88.43	253,58.88
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS	581,38.17	504,89.32
Exceptional Items (Net of Tax)	(17,69.36)	7,39.77
NET PROFIT AFTER TAX	563,68.81	512,29.09
Add: Balance brought forward from the previous year	1049,23.41	882,40.80
Amount available for disposal	1612,92.22	1394,69.89
APPROPRIATIONS :		
General Reserve	56,36.88	51,22.91
Equity Dividend	338,81.20	254,10.90
Distribution Tax on Dividend	53,21.33	40,12.67
Balance carried forward	1164,52.81	1049,23.41

2. Dividend

The Directors recommend a Dividend of Rs. 40 per Equity Share for the year (previous year: Rs.30 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 339 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 53 crores.

3. Management Discussion and Analysis

(a) Finance and Accounts

Your Company maintained its leadership position in the Pharmaceuticals market with Net Sales (net of Excise Duty), registering a growth of 12.9%. Profit After Tax and before Exceptional Items grew by 15.1%. 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 field force expansion, Profit before investment income and tax was maintained at 35% of Net Sales.

Cash generation from operations continues to remain favourable, driven by business performance and management of working capital. Your Company is constantly looking at ways and means of deploying the accumulated cash balances, which remain invested largely in Bank Deposits.

Your Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31st December 2010.

(b) Pharmaceuticals Business Performance and Outlook

Your Company continues to enjoy a leadership position in the categories in which its products are represented.

Mass Market activity comprising of acute care classic brands such as Calpol, Phexin, Cetzine, Neosporin, Cobadex CZS, Zyloric grew better than the market growth thus having robust evolution index as per SSA-IMS reports. Zemetril, a newly launched brand has climbed to No.1 rank in the represented category and recently launched Parit-D, Lilo, Cefspan are progressing well and have gained good market share.

Rural marketing activity "REACH" registered a robust growth over last year and results from the efforts of brand building and access to medicine are visible. Your Company is on way of expanding reach in mass markets to ensure capturing growth opportunities available in the market.

The Mass Specialty teams continued to record high growth and most of the key brands grew ahead of the market thereby gaining market share. Augmentin orals crossed the Rs. 100 crore mark helping Augmentin to retain the position as the No.1 anti-infective as per IMS report. The focus on hospital and tender business paid rich dividends with your Company further distancing itself from its nearest competitor and remaining a strong No.1 in the hospital segment as per IMS Hospital Audit.

Your Company's major foray in the injectible antifungal segment saw some good entrenchment and success of the recently launched brand Mycamine. The rest of the critical and acute care portfolio did quite well during 2010 and is expected to grow further in the coming years.

Your Company has entered into Oncology business in 2008 with the successful launch of drug Tykerb. During the year your Company has taken the major step by reducing the price by 35% and made it affordable for more number of patients which has helped achieve growth and also received a positive response from the Oncologists. In 2011, your Company will continue its commitment to oncology with the introduction of innovative breakthrough products like Revolade for the treatment of Chronic Immune Thrombocytopenia and Votrient for the treatment of advanced metastatic Renal Cell Carcinoma.

In Cardiovascular business your Company continues to maintain the leadership with Lanoxin and strengthen the position with the in-licensed product Benitec from Daiichi, Japan. In addition your Company has entered into fast growing statin market with the introduction of both Atorvastatin & Rosuvastatin. In Diabetes Care segment your Company has respected the DCGI order and has withdrawn Rosiglitazone (Windia) from the market while re-assessing strategy for strengthening our presence in this segment.

The Dermatology business of your Company has recorded growth well ahead of the market growth and also continues to maintain the leadership in the segment. Topical antibiotics, antifungal, emollients, sunscreen and acne, the key therapy segments registered a strong growth. Betnovate range, the top brand of Dermatology portfolio continues to grow strongly. Stiefel promoted range has started making visible progress. Dermocalm, the calamine brand launched in second half of 2009, has gained quick market share and is now the 3rd lead brand in the category.

Your Company continues to be a leader in the Vaccines self pay market. Your company launched Flu vaccine and continues to do well with all new launches including Rotarix. Cervarix, a Cervical Cancer vaccine continues to grow in demand and is the market leader in the HPV Vaccines segment (IMS Vaccines Audit September 2010). Your Company plans to launch 'Synflorix'- Pneumococcal vaccine for kids in 2011.

New products launched during the year included Mycamine inj (Micafungin) in-licensed from Astellas and Parit D capsules (Rabeprazole in combination with Domperidone) in-licensed from Eisai. Cefspan (Cefixime - oral antibiotic) was relaunched with good success. Other branded generics launched during the year were Modvate 3 cream (Beclomethasone in combination with Clotrimazole and Neomycin) and Modvate AF cream (Beclomethasone in combination with Clotrimazole) in Dermatology. Formulations of Atorvastatin and Rosuvastatin tablets were launched in Cardiology under the brand names "Lilo" and "Rosutec" respectively. The combination of Paracetamol with Tramadol was launched under the brand name "Calpol T".

Exports recorded a sales turnover of Rs. 63 crores comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, France, Indonesia, Jordan, U. K. and Germany.

(c) Opportunities, 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 a 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, iron deficiency anaemia, coronary heart disease, osteoporosis, malaria, supports this global and local effort.

Your company is engaged in conducting 22 clinical trials of which 7 were initiated in 2010. A total of 216 patients participated in these studies. Most of the clinical studies initiated in 2010 were in Oncology. Your Company has trained more than 165 investigators at 73 clinical trial sites across India. Quality continues to be the key priority, and is evidenced by a number of successful internal compliance audits.

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 various products including vaccines and 2 IND (Investigational 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 6 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 6 global Clinical Trial applications to the CDSCO and have been granted approval to conduct 3 studies on the Indian population through the Clinical Operations group in India.

Some of the novel innovator products for oral use, approved by the regulatory agency in India during the year under review, include pazopanib (Votrient) an oncology product for the treatment of advanced renal cell carcinoma, eltrombopag (Revolade) for the treatment of immune thrombocytopenia (ITP), and ambrisentan (Volibris) for the treatment of pulmonary arterial hypertension. In addition, a new indication approved for the existing oncology product lapatinib (Tykerb) in combination with letrozole will be beneficial for Indian patients with metastatic breast cancer.

Efforts towards ensuring a speedy review and approval by regulatory authorities for these products will help achieve early access to new and innovative therapeutic options to patients in the country.

The Medical Affairs team is resourced to play a pivotal role in communicating cutting edge information for brand plans and engaging with external experts to ensure exchange of evidence-based scientific information. The Medical Affairs team also ensures that the highest ethical standards and medical governance principles are upheld during the promotion of products by the sales team.

(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, supported by standard operating procedures, policies and guidelines, 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 significant 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

Capability Building, Talent Management and Employee Engagement remain the key focus of your company's Human Resource strategy. Your Company has continued to build on its capabilities in getting the right talent to support the different therapy areas in which it does business. These are backed by robust management training schemes, hiring of key management personnel, and sales training.

With the objective of engaging employees and providing them an opportunity to present their ideas, your Company has encouraged its employees to form voluntary empowered teams. These teams are provided the necessary support to present their ideas to the Senior Leadership/ Management Committee and encouraged to execute their ideas. Your Company has also recognized over 200 employees for their contribution towards GSK values, strategic imperatives and the corporate strategy through its AAA (Acknowledge, Appreciate, Applaud) Award recognition programme. A wellness and wellbeing service has also benefited a number of employees in coping with the day-to-day challenges of modern life. Pursuant to an internal employee survey, task forces have been formed to address issues around Communication, Speeding up Organisational Processes and Alignment of Objectives.

With a view to laying greater focus on leadership, your Company launched the global First Line Leadership programme aimed at building leadership capabilities amongst its first line managers particularly the more recent appointees.

On the Industrial Relations front, your Company continued to enjoy a cordial and harmonious relationship. The Company also launched a Career Ladder Scheme for its top performing Medical Representatives and re-designated them as Medical Business Associates. A Memorandum of Understanding has been signed with the Unions in Kolkata, Delhi and Chennai regions for their Kit Allowance entitlement.

Given your Company's growth plans, a large number of sales personnel were hired last year and the ramp-up is expected to continue in 2011. The sales training team delivered a record-breaking 42000 man days of classroom training to enhance selling skills and product knowledge. The use of the internet for Pathology-Product-Promotion Knowledge updates has also been actively utilized by most Business units to provide professional value updates to our doctor fraternity.

Your Company had a staff strength of 4338 employees as on 31st December, 2010 compared to 4006 employees at the end of the previous year.

(g) Procurement

The inflationary pressures in global commodity prices had its impact on raw and packing material costs. A combination of strategic commodity management and integration with global processes helped mitigate these price pressures to a large extent. An Operation Excellence Programme at vendor locations was successfully executed. Compliance with Environment, Health and Safety norms and promoting sustainability of natural resource usage at vendor's locations was a major focus area for vendor engagement. Support was provided to Sales management to improve the aesthetics of some products. Audit of vendor sites for global level quality compliance is aimed at making them partners for reliable supply, service and quality at the most economical cost.

Sourcing strategies were developed for spend optimization in the area of marketing promotional support items, promotional printing, air travel and events management. Key Supplier Reviews in strategic categories were conducted by engaging the business teams and use of a supplier performance matrix largely focused on compliance with processes, documentation and contracts.

(h) Manufacturing

Your company continues to invest in manufacturing capabilities and the supply network to support growth at optimum product cost. Nashik site has delivered 300 million Albendazole tablets to WHO as a part of the global Lymphatic Filariasis eradication programme. Continuous improvement initiatives using lean sigma principles and better process understanding has improved productivity at the sites. Both Nashik and Thane manufacturing sites continue to focus on waste reduction opportunities through optimising material usage and pack rationalization. There was considerable focus on improving Environment, Health and Safety and GMP compliance at both the sites during the year.

(i) Information Technology (IT) & Supply Chain

A mobile phone based field activity reporting initiative piloted last year was successfully launched during the year. The Medical representatives will now report their activity in near real time using mobile handsets, and this is expected to improve sales effectiveness. In support of the

business initiative of process simplification, IT enabled new processes for managing the tender business and web portals for reaching rural medical professionals have been developed.

Focused initiatives for Consensus Forecasting and Supply Chain Planning, aligned with global best practices, helped to improve supply chain efficiencies. Processes related to obsolescence management for destruction of stocks were reviewed and strengthened, as also cold chain assurance aimed at mitigating risk. A pilot was launched in the Southern region to provide inputs for network optimization in a GST scenario.

(j) Corporate Social Responsibility

During the year, your Company continued with its long term ongoing projects while undertaking many new social development initiatives.

Gramin Aarogya Vikas Sanstha (GAVS), a registered public trust promoted by the Company operates predominantly in tribal and remote villages around Nashik. GAVS covers six blocks of Peth Taluka, Nashik through its Mobile Clinic and three Medical centres.

Your Company in collaboration with Pratham an NGO, runs a shelter home in Behraich District, Uttar Pradesh which provides vulnerable children with opportunities for holistic development, mainstream them into the educational system and equip them with some vocational skills. The Rag Pickers project supported by your Company and implemented by Niramaya Health Foundation at Deonar Dumping ground aims at providing Primary healthcare services and quality Health Education to the rag picker children and their families, residing in and around the area. The Company continued its support to Institute for Indian Mother & Child (IIMC) a non-governmental voluntary organization, committed to promote child and maternal health and literacy set up with the mission to give support to the medical needs to the poorest and most backward people of West Bengal who have no access to basic healthcare and medicinal facilities. These children are not only provided medical facilities, but are also supported with nutritional supplements on a regular basis. The Company also continued its support to the aged by supporting the Helpline for Aged run by Dignity Foundation, while also providing for medical facilities to the rural geriatric population of Khurda district, Orissa.

During the year, the Company initiated a new project for Cancer detection among the rural underserved community by partnering with Bhaktivedanta Hospital in Thane district. This Hospital is devoted to giving holistic care by way of medical services and it services over 1.5 million people in its catchment areas within a radius of 10 kilometers. The Company also took up a new initiative with Navjyoti India Foundation formed by Dr. Kiran Bedi and is engaged in social upliftment and extending support to marginalized and vulnerable groups including women and children. Another new social initiative taken during the year was to train underserved women from difficult backgrounds as nursing assistants in collaboration with the Ramakrishna Mission, Chennai, one of the oldest centres of the Ramakrishna Mission. Education offered by the mission is free of cost to all, irrespective of religion, caste and creed. Additionally, your Company took up a project run through Life Trust a charitable Trust, established with a mission of improving quality of education in Municipal run secondary schools using technology and visual aids and supporting children with learning disabilities. Donation of essential medicines / products for humanitarian causes continued for important events organized for mass mobilization and participation. The Company supported the ISKCON Food Relief Foundation's Mid-Day meal project for Municipal school children in Mumbai and the St. Jude India Care Center for cancer affected children.

GSK plc is implementing the Personal Hygiene and Sanitation Education (PHASE) Programme in some selected municipality schools in Mumbai and shelter homes in Maharashtra, Gujarat, Rajasthan and Uttar Pradesh. Also, the global commitment to the elimination of Lymphatic Filariasis (LF) was strengthened with the setting up of a production facility for albendazole at your Company's plant in Nashik to produce 300 million treatments per annum.

(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. Ajit Nimbalkar resigned as Director from 27th April 2010. The Board places on record its appreciation of the valuable services rendered during his tenure as Director and for his contributions to the deliberations of the Board.

Appointments

The Board of Directors has appointed Mr. Pradeep Bhide as Non-Executive Independent Director with effect from 28th October 2010, in the casual vacancy caused by the resignation of Mr. Ajit Nimbalkar. The Board has also appointed Mr. Simon Harford as Non-Executive, Non - Retiring Director with effect from 28th October 2010.

Mr. P. V. Nayak, Mr. V. Narayanan and Mr. D. Sundaram 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 31st December 2010 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.

Pursuant to the Order by the Central Government under Section 233B of the Companies Act, 1956, the Board of Directors of your Company have appointed Messrs R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for its Bulk Drugs and Formulations.

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. Appreciations and Acknowledgements

The Board places on record its appreciation of enormous contribution and support received by your Company from GlaxoSmithKline plc, by providing access to the latest innovative products, other products relevant to the local market, sales/marketing and training inputs, technological support and global business processes which have played an important role in helping your Company to become a leading player in the Indian pharmaceutical market.

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, 14th February 2011

Annexure 'A' to the Directors' Report

I. Conservation of Energy:

Energy conservation activities continue to be at the forefront of manufacturing initiatives through regular review of energy generation & effective control on its utilisation. In support of the initiative on Climate Change, the focus is to reduce the 'carbon foot print' and improve energy efficiency.

- Nashik factory has achieved 6.5% reduction in Gigajoules consumption through various energy conservation initiatives.
- Energy Kaizen Week was organized at the Thane site involving all users of energy to identify opportunities of energy reductions. The Kaizen week generated many ideas and quick win actions resulting in efficient energy usage. The total saving potential was estimated at 6.6 GWhrs (20.7%) over the next three years delivering 14% reduction in the CO2 emission.

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

Energy Conservation measures taken:

- Implementation of GEM trap initiative
- Rationalisation of distillation stills for WFI
- Replacement of old HVAC ducting insulation
- Energy efficient pumps for cooling water/boiler
- High efficiency coating system for Zinetac
- Use of EC motors for AHU
- Replacement of street light from HPMV to highly energy efficient LED bulb
- Installed wind driven turbo ventilator for exhausting air from production building
- Replaced old reciprocating compressor window air conditioner with highly energy efficient rotary compressor air conditioner
- All new equipment are procured with energy efficient induction motor

Apart from the above measures, continued efforts for monitoring of noise levels, recycling of waste and monitoring of gaseous emission from boiler helped sustain a high level of energy efficiency.

A) Power and Fuel Consumption

		Year Ended 31st December 2010	Year Ended 31st December 2009
1. Electricity			
(a) Purchased units	KWH'000	23,394.08	23,065.03
Total amount	Rs.Lacs	13,37.00	12,48.41
Rate/Unit	Rs.	5.72	5.41
(b) Own generation			
(i) Through DG			
Units	KWH'000	295.20	110.01
Units /Ltr of HSD	KWH'000	5.02	4.81
Cost per unit	Rs.	15.45	19.03
(ii) Coal		—	—
2. Furnace Oil, LDO & LSHS			
Quantity	KL	2,732.42	2,991.17
Total amount	Rs.Lacs	8,05.17	6,75.11
Average rate	Rs./KL	29,467.29	22,570.02
3. Others		—	—