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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1997



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prevention, diagnosis, treatment and cure - is

SmithKline Beecham's purpose.



MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		

Managing Director
S.J. Scarff, M.B.E.

Directors

A. Chatterjee
A. Chib
S. S. Dugal
P. S. Mukherjee
P. F. Blackburn
D.M. McDonald
(Alternate to Mr. P.F. Blackburn)

Company Secretary
Surinder Kumar

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Bankers

Bank of America
State Bank of Patiala
Andhra Bank
ANZ Grindlays Bank p.l.c.
Deutsche Bank
Citibank N.A.
Hongkong & Shanghai Banking
Corporation Limited
Banque Nationale De Paris

Auditors

Price Waterhouse

Registered Office

Patiala Road
Nabha 147 201 (Punjab)

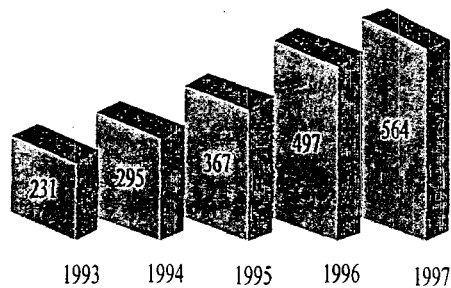
Head Office

1 Jai Singh Road
New Delhi 110 001

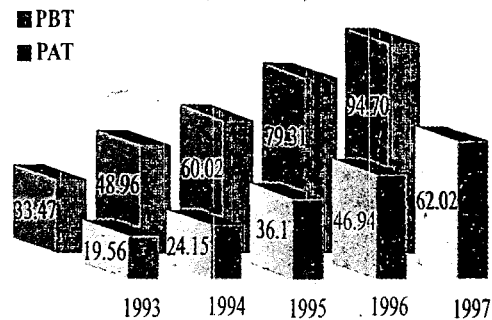


FINANCIAL HIGHLIGHTS

TURNOVER
(Rs. Crores)

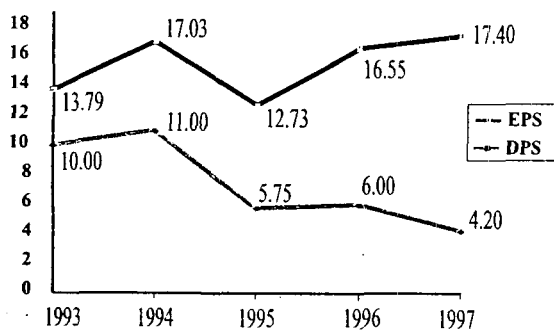


PROFITS
(Rs. Crores)

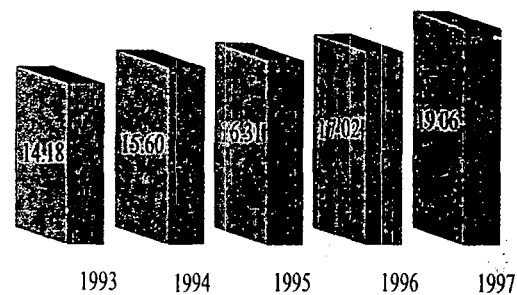


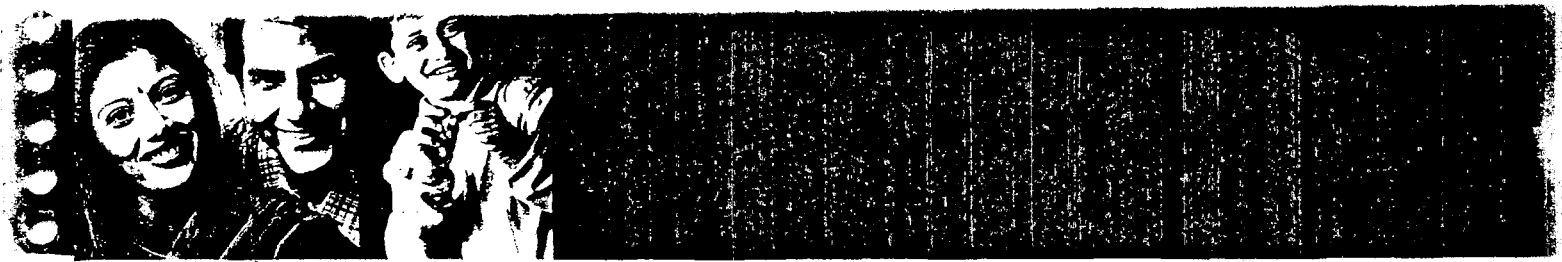
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EARNINGS & DIVIDENDS
(Rs. Crores)

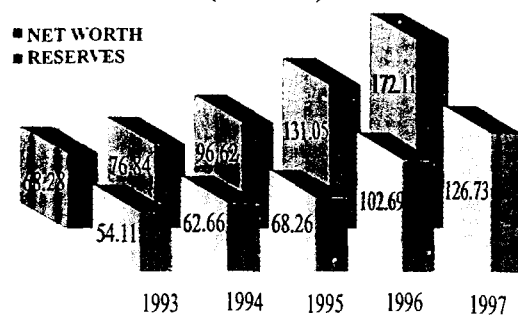


DIVIDENDS PAYOUTS
(Rs. Crores)

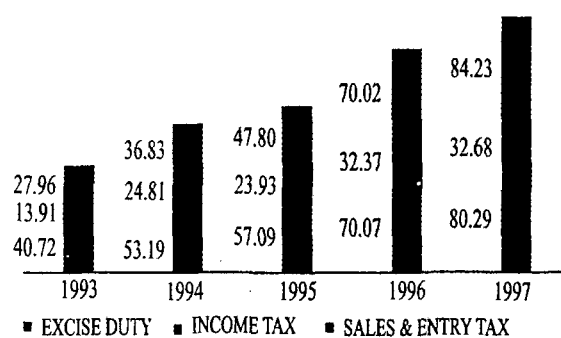




NET WORTH & RESERVES (Rs. Crores)

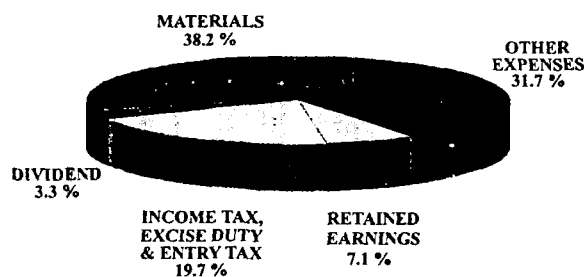


CONTRIBUTION TO EXCHEQUER (Rs. Crores)

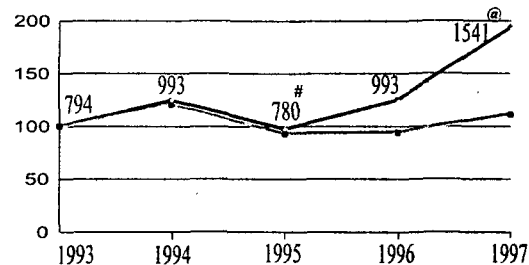


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SPLIT UP OF INCOME 1997



MARKET CAPITALISATION (Rs. Crores)



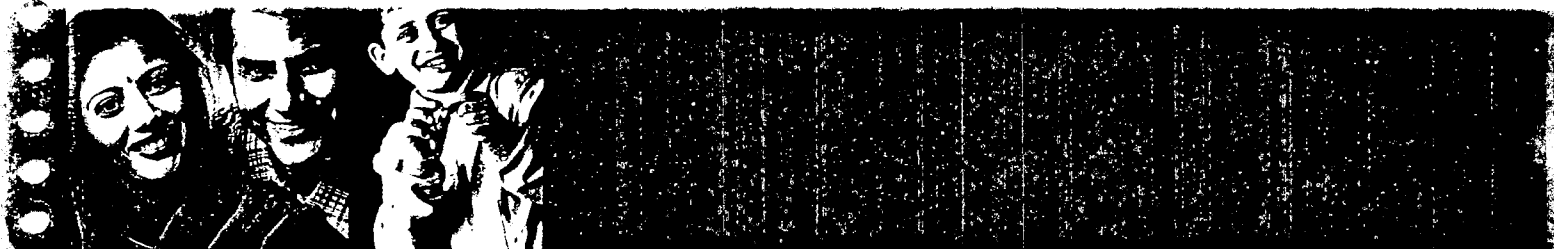
→ Mkt Capitalisation → BSE Sensex Index
 # Post issue of Bonus shares in the ratio of 1:1
 @ Post issue of Bonus shares in the ratio of 3:5
 Both the trends indexed as 100 in 1993.



FINANCIAL STATISTICS

TEN YEAR FINANCIAL STATISTICS

	Rs. Lakhs									
	1988-89 (11 Months)	1989-90	1990 (9 Months)	1991	1992	1993	1994	1995	1996	1997
SOURCES AND APPLICATIONS OF FUNDS										
SOURCES OF FUNDS										
Share Capital	1418	1418	1418	1418	1418	1418	1418	2836	2836	4538
Reserves & Surplus	1926	2799	3379	4436	4873	5411	6266	6826	10269	12673
TOTAL SHAREHOLDERS' FUNDS	3344	4217	4797	5854	6291	6829	7684	9662	13105	17211
BORROWINGS	0	0	0	2360	2278	586	1609	729	800	0
FUNDS EMPLOYED	3344	4217	4797	8214	8569	7415	9293	10391	13905	17211
APPLICATION OF FUNDS										
Gross Fixed Assets	2015	3463	4303	5164	5290	5439	5929	6898	7387	8836
Depreciation	773	886	1043	1324	1692	2059	2489	3007	3591	4311
NET FIXED ASSETS	1242	2577	3260	3840	3598	3380	3440	3891	3796	4525
INVESTMENTS	1114	1265	1901	3107	541	3814	4540	3641	2900	2900
Gross Current Assets, Loans and Advances	2649	2916	2991	5955	9119	3882	5115	7803	13788	17208
Current Liabilities & Provisions	1661	2541	3355	4688	4689	3661	3802	4944	6579	7699
NET CURRENT ASSETS	988	375	-364	1267	4430	221	1313	2859	7209	9509
MISCELLANEOUS EXPENDITURE	0	0	0	0	0	0	0	0	0	277
TOTAL APPLICATION	3344	4217	4797	8214	8569	7415	9293	10391	13905	17211



TEN YEAR TRACK RECORD

	Rs. Lakhs									
	1988-89 (11 Months)	1989-90	1990* (9 Months)	1991	1992	1993	1994	1995	1996	1997
TURNOVER	11010	14108	16717	20025	21063	23130	29548	36689	49658	56417
PROFIT BEFORE TAXATION	2120	2673	3304	3370	2750	3347	4896	6002	7931	9470
PROFIT AVAILABLE FOR DISTRIBUTION	1560	1802	2287	2333	1713	1956	2415	3610	4694	6202
RETAINED PROFIT	865	923	1152	1057	437	538	855	1979	2993	4106
DIVIDEND PAYOUT	695	879	1135	1276	1276	1418	1560	1631	1702	1906
DIVIDEND - %	49.00	62.00	80.00	90.00	90.00	100.00	110.00	57.50**	60.00	42 [@]
EARNINGS PER SHARE (Rs.)	11.00	16.13	12.09	16.45	12.08	13.79	17.03	12.73**	16.55	13.67*
BONUS ISSUE								1:1		3:5
NUMBER OF SHAREHOLDERS	20180	20473	20799	21837	23263	24986	27621	28836	28831	30145

* ANNUALISED

** POST ISSUE OF BONUS SHARES IN THE RATIO OF 1:1

@ POST ISSUE OF BONUS SHARES IN THE RATIO OF 3:5



DIRECTORS' REPORT

The Directors have pleasure in presenting their Report for the year ended 31st December, 1997.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	1997	1996
Gross Profit (before Depreciation and Taxation)	10238.38	8570.22
Less : Depreciation	768.36	638.95
Profit Before Taxation	9470.02	7931.27
Less: Provision for Taxation	3300.00	3375.00
	6170.02	4556.27
Add/(Less):		
Taxation adjustment of		
Previous Years	32.39	138.02
Profit available for appropriations	6202.41	4694.29
Appropriations		
Dividends - 1st Interim	907.61	709.08
- 2nd Interim	998.38	992.70
- Corporate		
Dividend Tax	190.60	0.00
Transferred to General Reserve	4105.82	2992.51
	6202.41	4694.29

PERFORMANCE OF THE COMPANY

The Company's overall turnover at Rs. 56417.00 lakhs, recorded a growth of 13.6% over 1996. However, a comparison of the Company's turnover from the continuing operations shows a growth of 21.6 % over 1996. The Operating Profit before Taxation at Rs. 9470.02 lakhs for the year ended 31st December, 1997 represents a growth of 19.4% over the previous year, while Profit after Taxation shows an increase of 32.1% over 1996. This has been achieved by effective management of costs and expenses and the continuing importance being given to improvement in product quality, increased productivity and strict control over costs and overheads despite increase in costs of inputs.

RESERVES

During the year, the Company Capitalised Reserves amounting to Rs. 1701.77 lakhs comprising Capital Reserves of Rs. 450.00 lakhs and General Reserve of Rs. 1251.77 lakhs by issue of Bonus shares in the ratio of 3 : 5. The bonus shares rank pari-passu in all respects with the existing shares. The total Reserves as on 31st December, 1997 stood at Rs. 12672.67 lakhs.

DIVIDENDS

The Directors consider that the two Interim dividends aggregating to Rs. 4.20 per share on the enhanced capital already declared, to be reasonable and commensurate with the results for the year ended 31st December, 1997 and do not recommend a final dividend for the year.

EXPORTS

During the year foreign exchange earnings through exports amounted to Rs. 1736.33 lakhs which represent a drop of 12.94% over the previous year due to poor offtake from Myanmar, Sri Lanka and Middle East markets. However, efforts are continuing to broaden the export base to other countries in South East Asia and the Middle East.

RESEARCH AND DEVELOPMENT

The Research and Development Centre of your Company continued to provide valuable support to improve the quality of existing products. In addition, work is progressing on the development of a number of new and improved products, as well as updating of production processes as per international standards. This will result in better productivity and conservation of energy. A number of products are in an advanced stage of development.

MODERNISATION AND DIVERSIFICATION

The Company continued to modernise its existing plant & machinery and production facilities at its plants at Nabha & Rajahmundry. It is planned to continue the policy of expanding the product range of the Company by identifying appropriate products in our related areas of operation.



ISO 9002 ACCREDITATION

Your Company's manufacturing facilities at Nabha and Rajahmundry and the packing facilities at Hyderabad continue to maintain the prestigious ISO 9002 certification by SGS, a leading international certification company.

In addition, this year the packing facility at Ballabhgarh was awarded the prestigious ISO 9002 certification by SGS, a leading international certification company.

INFORMATION TECHNOLOGY

Your Company is in the process of setting up world class Information Technology (IT) services to enable the business to respond faster and perform better. The process involves the implementation of sophisticated Enterprise Resource Planning Softwares, commissioning of the state of the art hardware and satellite based Wide Area Network system and a substantial part of the plan has already been executed during the year. Detailed plans have also been undertaken to make all the hardware/software Year 2000 compliant by 31.12.1998.

Your Company has already incurred an expenditure of Rs. 611.29 lakhs on this account in 1997 out of which Rs. 276.19 lakhs has been transferred under Miscellaneous Expenditure to be amortised over a period of five years beginning 1999.

CHARGES FOR SERVICES RENDERED

For the sake of good corporate governance, your Company appointed a leading international firm of Chartered Accountants to independently study and recommend a fair process of levying charges for the selling, marketing and administrative services being provided by your Company to another company. The report has since been received, adopted by the Board of Directors of the Company and all the recommendations implemented effective 1st January, 1997.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required as per the Companies (Disclosure

of particulars in the Report of the Board of Directors) Rules, 1988, is given in the Annexure to this Report.

DIRECTORS

During the year there was no change in the Directorships of the Company.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

HUMAN RESOURCE DEVELOPMENT

Harmonious industrial relations continued to prevail at all the various units throughout the company. Long term settlement at Nabha Factory expired on 30th September, 1997 and negotiations for new settlement are in progress. The Company continued its focus on training and developing people through internal and external management development programmes and overseas assignments.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are enclosed.

ACKNOWLEDGEMENTS

The Directors wish to extend their thanks and appreciation to all the employees of the Company at all levels, agents and other business associates for their commitment, dedication, respective contributions to the Company's operations during the year under review.

The Directors would also like to acknowledge the valuable guidance, technical assistance and advice being received from the Associate Company in the U.K.

For and on behalf of the Board

S.J. Scarff

Managing Director

A. Chatterjee

A. Chib

S.S. Dugal

P.S. Mukherjee

Directors

New Delhi

Dated : 6th February, 1998



Annexure to the Directors' Report 1997

Particulars regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

(d) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in the Schedule thereto:

FORM "A"

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

In continuation of the energy saving measures introduced in 1993 the Coal usage per tonne of production has been reducing gradually over the years and has now stabilised. Consumption of coal per tonne of production has shown reduction by 3% at Rajahmundry over the previous year through various measures such as improving combustion efficiency by continuously monitoring and controlling the air fuel ratio and by ensuring that correct size coal was fed into boilers to reduce the quantum of unburned coal.

2. Electricity

Usage per tonne of production for food products has witnessed a reduction of 9.14% versus 1996 by adopting various energy saving measures. Our Engineering Managers have been continuously working on more vigilant management techniques to reduce energy consumption on a continuous basis.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Various steps and measures are continuously being taken to further reduce consumption of both coal & electricity at Nabha & Rajahmundry.

(c) In respect of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

As already mentioned in (a) above, the coal consumption per tonne of production has stabilised consistently since 1993.

There was a reduction in usage of power per tonne of production during the year as compared to 1996.

A. Power and Fuel Consumption

1. Electricity

a) Purchased Units (in Lakhs)	220.21	192.61
Total amount (Rs. Lakhs)	660.55	485.74
Rate/Unit (Rs.)	3.00	2.52
b) Own Generation		
(Through Diesel Generator)		
Units (in Lakhs)	0.28	45.49
Units per litre of Diesel Oil	3.13	3.05
Cost/Unit (Rs.)	2.49	2.43

2. Coal Used in Boilers

Quality (Calorific value ranging between 2500 to 3500 BTU)		
Quantity (Tonnes)	303.58	287.23
Total Cost (Rs. Lakhs)	661.73	527.98
Average Rate (Rs.)	2179.79	1838.18

B. Consumption per unit of Production:

	Current Year	Previous Year
	Coal Power	Coal Power
	MT Units	MT Units

1. Malted Milkfood/Malted

Food/Energy and Protein

Health Food/Powdered

Milk (Per Ton) 0.648 487 0.660 536

2. Ghee & Butter (Per Ton) 0.556 356 0.442 410

3. Drugs and Medicines (Per Ton) 0.000 — — 719

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

(1) Specific Areas in which R&D was carried out by the Company

Research and Development has continuously been carried