

ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1999

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Striving to make
people's lives healthier.

The SB Promise



SmithKline Beecham
Consumer Healthcare Limited

**Healthcare - prevention, diagnosis, treatment and cure -
is SmithKline Beecham's purpose.**

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

Directors
A. Chatterjee
P. Dwarakanath
P. S. Mukherjee
S. S. Dugal
Paul Parsonson
John Squires
(Alternate Director to
Paul Parsonson)

Company Secretary
Surinder Kumar

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

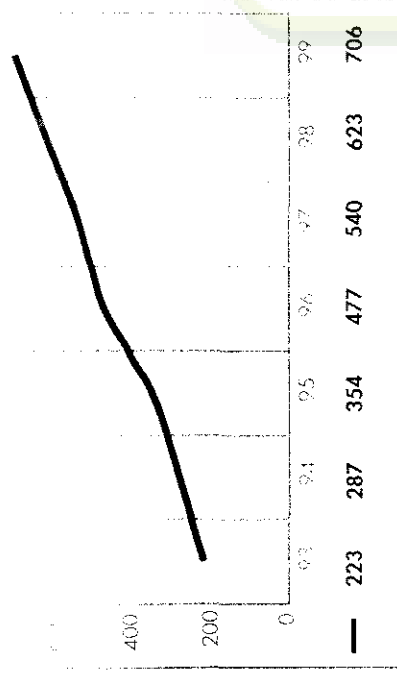
Auditors
Price Waterhouse

Registered Office
Patiala Road
Nabha 147 201 (Punjab)

Head Office
DLF Plaza Tower
DLF City, Phase-I,
Gurgaon-122 002

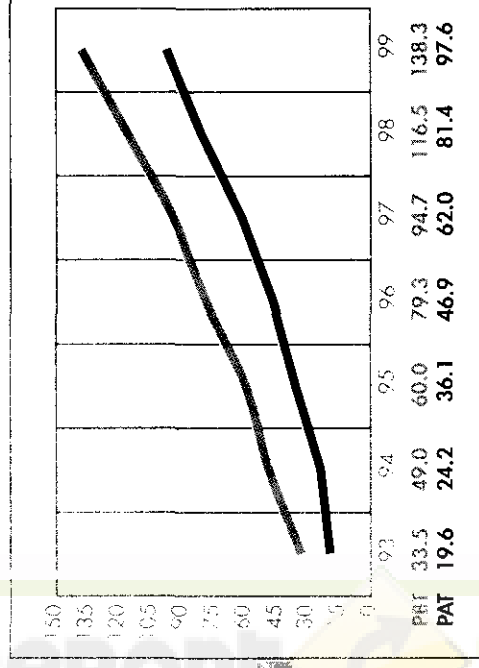
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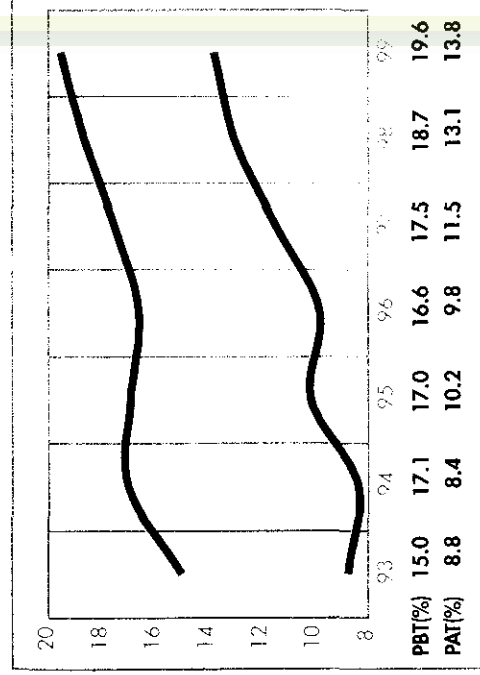
TURNOVER

(Rs. Crores)

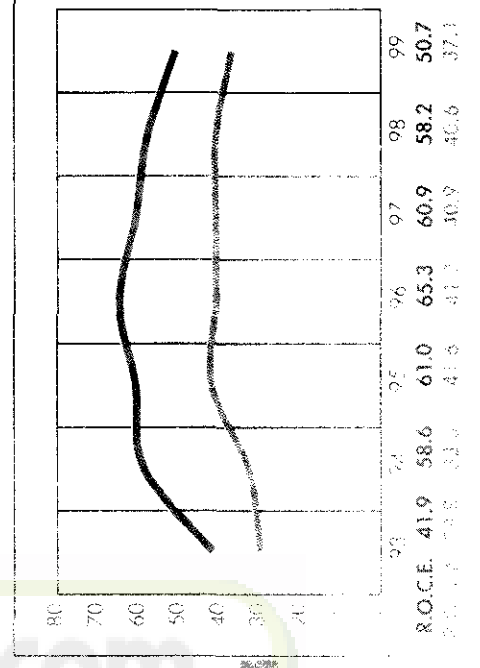


PBT AND PAT

(Rs. Crores)

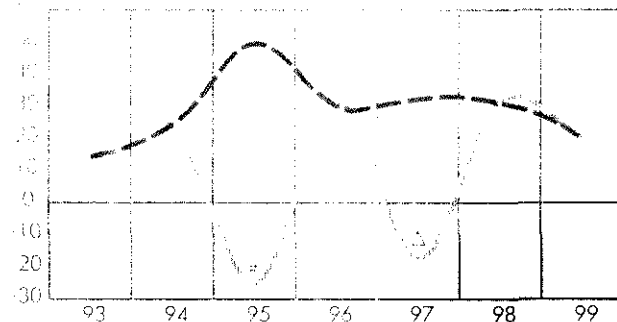


PBT / PAT AS A % OF SALES



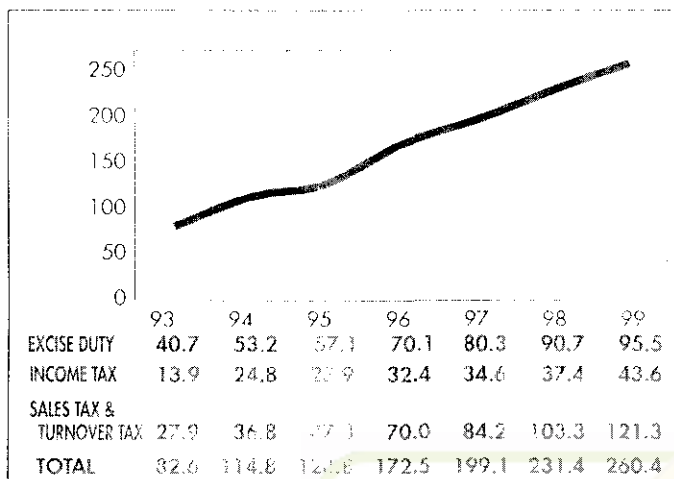
R.O.C.E. AND R.O.N.W. (%)

% GROWTH IN EPS



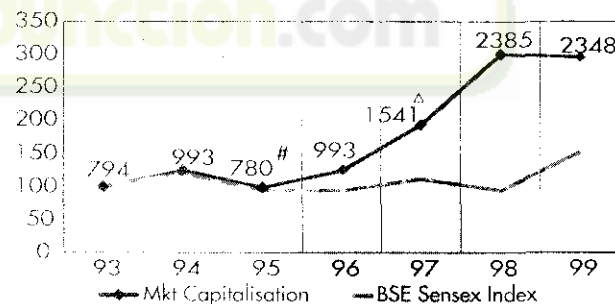
	93	94	95	96	97	98	99
Post Bonus	14.2	23.5	25.2 [#]	30.0	17.5 ^Δ	31.3	20.0
Notional Pre-Bonus	14.2	23.5	49.5	30.0	32.1	31.2	20.0

Post issue of Bonus Shares in the ratio of 1:1
Δ Post issue of Bonus Shares in the ratio of 3:5

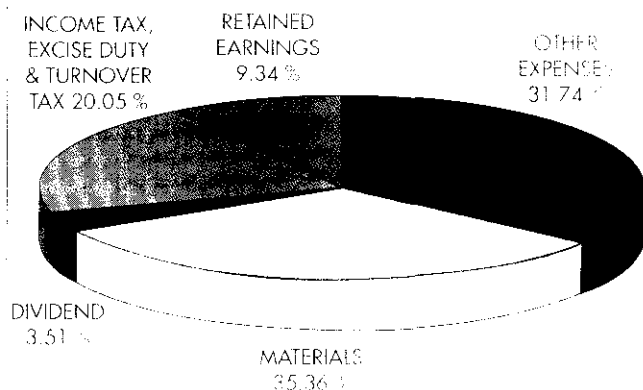


CONTRIBUTION TO EXCHEQUER (Rs. Crores)

MARKET CAPITALISATION (Rs. Crores)



Post issue of Bonus shares in the ratio of 1:1
Δ Post issue of Bonus shares in the ratio of 3:5
Both the trends indexed as 100 in 1993.



SPLIT UP OF INCOME

TEN YEAR FINANCIAL STATISTICS

Rs. Lakhs

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999
(9 Months)

SOURCES AND APPLICATION OF FUNDS

SOURCES OF FUNDS

Share Capital	1418	1418	1418	1418	1418	2836	2836	4538	4538	4538
Reserves & Surplus	3379	4436	4873	5411	6266	6826	10269	12673	18312	25201
TOTAL SHAREHOLDERS' FUNDS	4797	5854	6291	6829	7684	9662	13105	17211	22850	29739
BORROWINGS	0	2360	2278	586	1609	729	800	0	0	2000
FUNDS EMPLOYED	4797	8214	8569	7415	9293	10391	13905	17211	22850	31739

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APPLICATION OF FUNDS

Gross Fixed Assets	4303	5164	5290	5439	5929	6898	7387	8836	12005	19574
Depreciation	1043	1324	1692	2059	2489	3007	3591	4311	5122	5867
NET FIXED ASSETS	3260	3840	3598	3380	3440	3891	3796	4525	6883	13707
INVESTMENTS	1901	3107	541	3814	4540	3641	2900	2900	2900	2900
Gross Current Assets, Loans & Advances	2991	5955	9119	3882	5115	7803	13788	17208	20341	24290
Current Liabilities & Provisions	3355	4688	4689	3661	3802	4944	6579	7699	8337	11269
NET CURRENT ASSETS	-364	1267	4430	221	1313	2859	7209	9509	12004	13021
MISCELLANEOUS EXPENDITURE	0	0	0	0	0	0	0	277	1063	2111
TOTAL APPLICATION	4797	8214	8569	7415	9293	10391	13905	17211	22850	31739

TEN YEAR TRACK RECORD

Rs. Lakhs

1990*
(9 Months) 1991 1992 1993 1994 1995 1996 1997 1998 1999

TURNOVER	16159	19556	20112	22349	28736	35386	47726	54029	62314	70566
PROFIT BEFORE TAXATION	3304	3370	2750	3347	4896	6002	7931	9470	11651	13833
PROFIT AFTER TAXATION	2287	2333	1713	1956	2415	3610	4694	6202	8135	9761
DIVIDEND PAYOUT	1135	1276	1276	1418	1560	1631	1702	1906	2269	2587
CORPORATE DIVIDEND TAX	0	0	0	0	0	0	0	190	227	284
RETAINED PROFIT	1152	1057	437	538	855	1979	2992	4106	5639	6890
DIVIDEND - %	80	90	90	100	110	57.50**	60	42@	50	57
EARNINGS PER SHARE (Rs.)	12.09	16.45	12.08	13.79	17.03	12.73**	16.55	13.66@	17.93	21.51
BONUS ISSUE						1 : 1		3 : 5		
NUMBER OF SHAREHOLDERS	20799	21837	23263	24986	27621	28836	28831	30145	29413	31690

* ANNUALISED

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

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

Your Directors have pleasure in presenting the Annual Report and the Audited Accounts of the Company for the year ended 31st December, 1999.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	1999	1998
Sales	70565.95	62313.90
Gross Profit (before Depreciation and Taxation)	14960.62	12537.42
Less : Depreciation	1127.45	886.65
Profit Before Taxation	13833.17	11650.77
Less: Provision for Taxation	4067.20	3571.00
	9765.97	8079.77
Add/(Less):		
Taxation adjustment of Previous Years	(4.83)	54.98
Profit available for appropriations	9761.14	8134.75

- Previous year's figures regrouped/reclassified wherever necessary to conform to this year's classification.

Appropriations

Dividends - 1st Interim	1225.28	1089.13
- 2nd Interim	1361.42	1179.90
Corporate Dividend Tax	284.54	226.90
Transferred to General Reserve	6889.90	5638.82
	9761.14	8134.75

PERFORMANCE OF THE COMPANY

The Company's overall turnover at Rs. 70565.95 lakhs, recorded a growth of 13% over 1998. The performance of the Company is commendable especially in view of the fact that major part of 1999 witnessed a slowdown in the Indian economy and an adverse economic environment. The operating Profit before Taxation at Rs. 13833.17 lakhs for the year ended 31st December, 1999 represents a growth of 19% over the previous year, while, Profit after Taxation shows an increase of 20% over 1998. This has been achieved by a continuing process of value re-engineering, innovations, effective management of costs and expenses and the increasing importance being given to the improvement in product quality, increased productivity and strict control over costs and overheads despite increase in costs of inputs.

RESERVES

The total Reserves as on 31st December, 1999 stood at Rs. 25201.39 lakhs.

DIVIDENDS

The Directors consider that the two interim dividends aggregating to Rs. 5.70 per share declared, to be reasonable and commensurate with the results for the year ended 31st December, 1999 and do not recommend a final dividend for the year.

EXPORTS

During the year foreign exchange earnings through exports amounted to Rs. 1832.43 lakhs covering exports to Bangladesh, Myanmar, Sri Lanka and Middle East markets.

RESEARCH AND DEVELOPMENT

Research and Development Centre of your Company continued to provide valuable support to improve the quality of existing products. As a result of this we were able to relaunch Boost during the current year. The relaunch of Boost with superior product claims and improved packaging will facilitate the Company to sustain the growth in business in the years to come. 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. Our Associate Company in U.K. continued to provide technological assistance to your Company.

MODERNISATION AND DIVERSIFICATION

The Company continued to modernise its existing plant & machinery and production facilities at its Plants at Nabha & Rajahmundry. Additional capacity has been created at Rajahmundry during the year by the installation of an additional line of production. Moreover, the Company is taking appropriate measures to create additional state of the art capacity at the proposed new plant at Sonapat. SmithKline Beecham Asia Limited, a subsidiary in India of our Associate Company in the U.K., will facilitate the creation of this additional capacity by providing infrastructural facilities such as land and will also provide technical assistance and managerial support for this project, the commercial details of which will be worked out during the execution of the project. The commercial production is expected to commence from early 2002.

SHIFT TO THE NEW CORPORATE OFFICE

Your Company was occupying the old office at Delhi for the last 25 years and was facing acute space constraint for sometime. The Company therefore decided to shift its Corporate office to a new modern state of the art office premises at DLF City at Gurgaon. The Company spent a sum of Rs.419.46 lakhs of revenue expenses on interiors of the office which would be amortised over a period of 5 years effective October, 1999.

ISO 9002 ACCREDITATION

Your Company's manufacturing facilities at Nabha, Rajahmundry and the packing facilities at Hyderabad

and Ballabgarh continue to maintain the prestigious ISO 9002 certification by SGS, a leading international certification company.

INFORMATION TECHNOLOGY

Your Company has implemented two leading edge world class ERP packages to enable the businesses to respond faster and perform better. The process of integration of the packages is now over. Till date the Company has incurred an expenditure of Rs. 1712.73 lakhs on account of implementation of the new processes and systems. This spend is proposed to be amortised over a period of 4.5 years commencing from July, 2000.

Your Company has successfully achieved the Y2K transition. All the hardware, operating system, application software and network devices are Y2K compliant and the aforesaid hardware and systems continue to be fully functional.

DISPOSAL OF COMPANY'S ASSETS

During the year your Company ceased to convert Ayurvedic Powder Drugs and therefore dismantled the production capacity for the same and disposed off the plant & machinery.

Your Company was also not making optimum commercial use of its land and buildings at Bangalore and hence decided to dispose off the same.

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, Mr. Daniel M. McDonald, Alternate Director to Mr. Paul Parsonson ceased to be an Alternate Director and Mr. John Squires, Managing Director of SmithKline Beecham Pharmaceuticals (India) Limited was appointed as an Alternate Director to Mr. Paul Parsonson as recommended by M/s. Horlicks Limited, UK, under the provisions of the Articles of Association of the Company. The Board of Directors wish to place on record their appreciation of the valuable advice and guidance rendered by Mr. Daniel M. McDonald.

During the year, Mr. Abhinandan Chatterjee was re-appointed as Wholetime Director of the Company for a further period of 5 years effective from 14th July, 1999.

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. The Company continued its focus on training and developing people through internal and external management development programmes and overseas assignments.

ENVIRONMENT AND SOCIAL COMMITMENT

Your Company recognises its responsibility to the community in which it operates. It has contributed for the Kargil and Orissa cause. As in the previous years, your Company carried out several dairy developmental and extension projects in the milkshed areas in and around Nabha and Rajahmundry besides carrying out community development work including healthcare activities at these places. Nabha proved its commitment to the environment by developing an eco plantation site for effective disposal of treated factory water over 27 acres of land. An Eye care Centre at Sonapat has been set up offering free eye care and operation facilities for Sonapat and its surrounding areas.

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 and 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
John Squires
P.Dwarkanath
P.S. Mukherjee
Directors

Place : New Delhi
Dated : 28 January, 2000

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

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 a reduction by 9% 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 unburnt coal.

2. Electricity

Usage per tonne of production for Malted Milkfood products has shown a reduction by 4% over previous year. This could be achieved due to constant and vigilant management techniques being pursued by our Engineering Managers.

(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.

(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:

A. Power and Fuel Consumption

1. Electricity

	1999	1998
a) Purchased Units (in Lakhs)	207.16	212.45
Total amount (Rs. Lakhs)	702.23	690.92
Rate/Unit (Rs.)	3.38	3.25

b) Own Generation (Through Diesel Generator)

Units (in Lakhs)	15.74	14.44
Units per litre of Diesel Oil	3.34	3.32
Cost/Unit (Rs.)	3.09	2.70

2. Coal Used in Boilers

Quality (Calorific value ranging between 2500 to 3500 BTU)		
Quantity (Tonnes)	28945	31880
Total Cost (Rs. Lakhs)	693.32	743.40
Average Rate (Rs.)	2395.30	2331.87

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)	0.568	426	0.622	443
2. Ghee & Butter (Per Ton)	0.524	395	0.451	321

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 out for improvement in quality of existing products, development of new and improved products and new processing technologies for better productivity, quality and cost effectiveness.

(2) Benefits derived as a result of the above R&D

Production processes have been improved with the benefit of increased productivity, greater economy and value addition.