



Annual

Report 2000
FOR THE YEAR ENDED DECEMBER 31, 2000



GlaxoSmithKline



SmithKline Beecham
Consumer Healthcare Limited



We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for innovation. We value performance achieved with integrity. We will attain success as a world class leader with each and every one of our people contributing with passion and an unmatched sense of urgency.

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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

Standard Chartered

Grindlays Bank

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

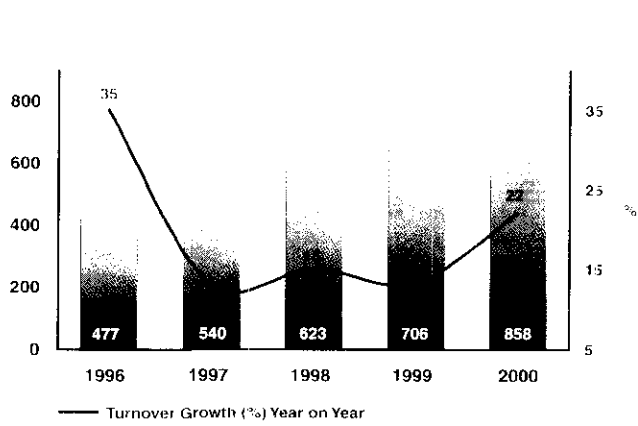
DLF City, Phase-I

Gurgaon-122 002

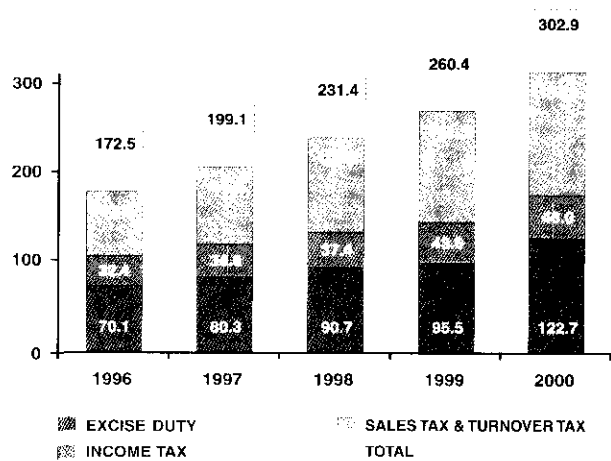
*Our global quest is to improve the quality of
human life by enabling people to do more,
feel better and live longer.*

FINANCIAL HIGHLIGHTS

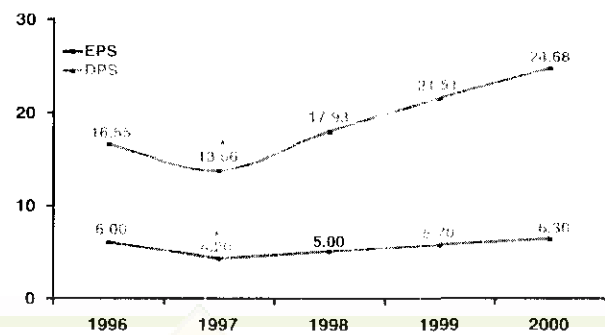
TURNOVER (Rs. Crores)



CONTRIBUTION TO EXCHEQUER (Rs. Crores)

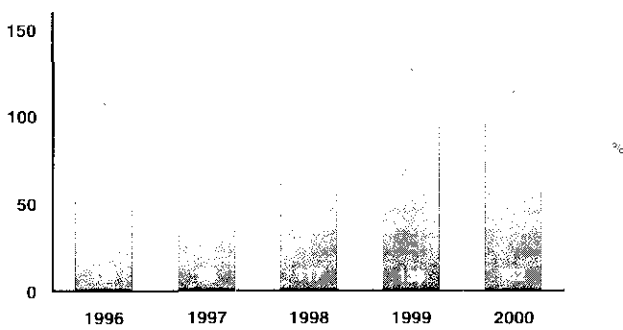


EPS AND DPS (Rs.)

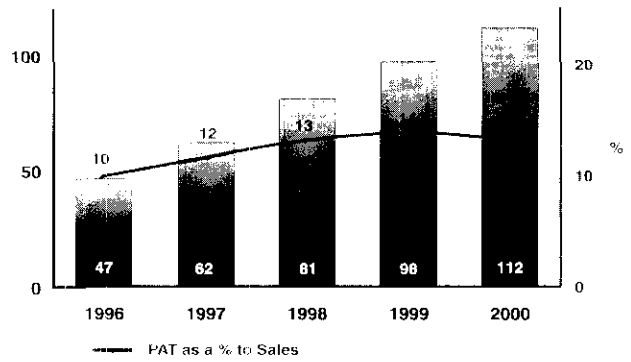


* Post issue of Bonus Shares in the ratio of 3:5

PBT (Rs. Crores)



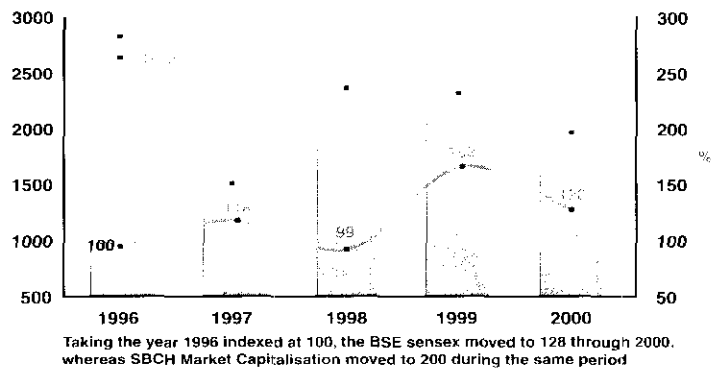
PAT (Rs. Crores)



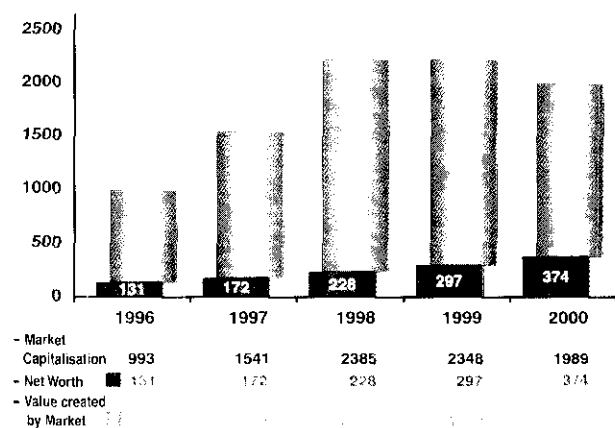
FINANCIAL HIGHLIGHTS



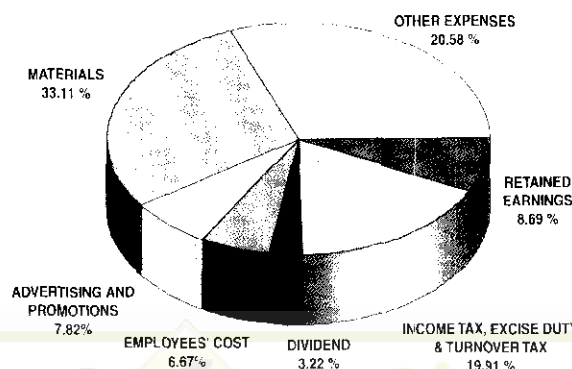
MARKET CAPITALISATION (Rs. Crores)



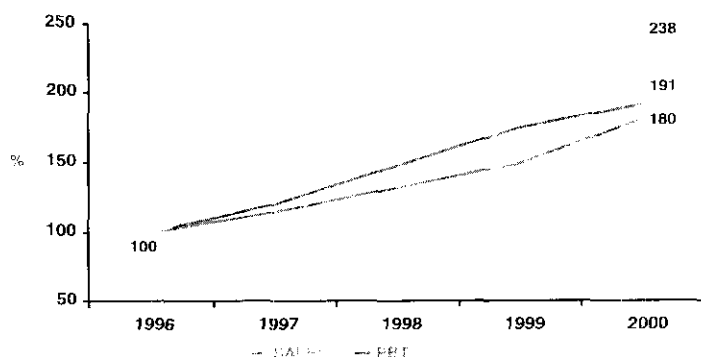
VALUE ADDITION TO SHAREHOLDERS BY THE MARKET (Rs. Crores)



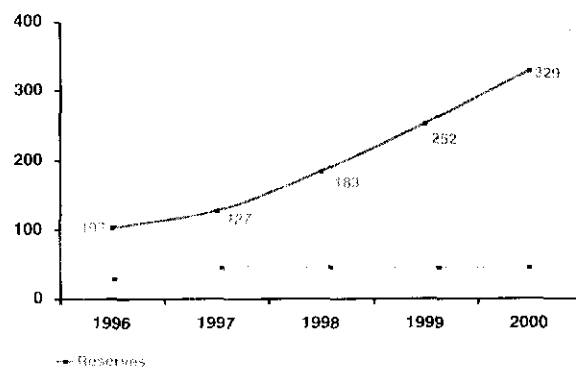
SPLIT UP OF INCOME 2000



VALUE ADDITION TO BUSINESS THROUGH PRUDENT MANAGEMENT OF COSTS AND TAX OUTGO



VALUE ADDITION TO BUSINESS THROUGH RESERVES (Rs. Crores)



TEN YEAR FINANCIAL STATISTICS

Rs. Lakhs

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
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SOURCES AND APPLICATIONS OF FUNDS

SOURCES OF FUNDS

Share Capital	1418	1418	1418	1418	2836	2836	4538	4538	4538	4538
Reserves & Surplus	4436	4873	5411	6266	6826	10269	12673	18312	25201	32916
TOTAL SHAREHOLDERS' FUNDS	5854	6291	6829	7684	9662	13105	17211	22850	29739	37454
BORROWINGS	2360	2278	586	1609	729	800	0	0	2000	5500
FUNDS EMPLOYED	8214	8569	7415	9293	10391	13905	17211	22850	31739	42954

APPLICATION OF FUNDS

Gross Fixed Assets	5164	5290	5439	5929	6898	7387	8836	12005	19574	41010
Depreciation	1324	1692	2059	2489	3007	3591	4311	5122	5867	7004
NET FIXED ASSETS	3840	3598	3380	3440	3891	3796	4525	6883	13707	34006
INVESTMENTS	3107	541	3814	4540	3641	2900	2900	2900	2900	0
Gross Current Assets, Loans and Advances	5955	9119	3882	5115	7803	13788	17208	20341	24290	25003
Current Liabilities & Provisions	4688	4689	3661	3802	4944	6579	7699	8337	11269	17927
NET CURRENT ASSETS	1267	4430	221	1313	2859	7209	9509	12004	13021	7076
MISCELLANEOUS EXPENDITURE	0	0	0	0	0	0	277	1063	2111	1872
TOTAL APPLICATION	8214	8569	7415	9293	10391	13905	17211	22850	31739	42954

FINANCIAL STATISTICS



TEN YEAR TRACK RECORD

Rs. Lakhs

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
TURNOVER	19556	20112	22349	28736	35386	47726	54029	62314	70566	85834
PROFIT BEFORE TAXATION	3370	2750	3347	4896	6002	7931	9470	11651	13833	15173
PROFIT AFTER TAXATION	2333	1713	1956	2415	3610	4694	6202	8135	9761	11202
DIVIDEND PAYOUT	1276	1276	1418	1560	1631	1702	1906	2269	2587	2859
CORPORATE DIVIDEND TAX	0	0	0	0	0	0	190	227	284	629
RETAINED EARNINGS	1057	437	538	855	1979	2992	4106	5639	6890	7714
DIVIDEND - %	90	90	100	110	57.50*	60	42**	50	57	63
EARNINGS PER SHARE (Rs.)	16.45	12.08	13.79	17.03	12.73*	16.55	13.66**	17.93	21.51	24.68
BONUS ISSUE					1 : 1		3 : 5			
NUMBER OF SHARE HOLDERS	21837	23263	24986	27621	28836	28831	30145	29413	31690	33019

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

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

KEY VITAL SIGNS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
DEBT EQUITY RATIO	0.40	0.36	0.09	0.21	0.08	0.06	0.00	0.00	0.07	0.15
CURRENT RATIO	1.93	2.06	2.10	2.54	2.31	2.54	2.61	2.79	2.41	1.39
INTEREST COVER (Times)	6.83	4.37	8.05	28.26	22.20	18.69	62.27	86.66	30.83	19.83
DIVIDEND COVER (Times)	1.83	1.34	1.38	1.55	2.21	2.76	2.96	3.26	3.40	3.21
ROCE (%)	51.80	32.77	41.88	58.61	60.98	65.29	60.87	58.17	50.68 [⊗]	40.63 [⊗]
RONW (%)	43.81	28.21	29.82	33.28	41.62	41.24	40.92	40.61	37.13 [⊗]	33.35 [⊗]

[⊗] Net worth and Capital employed include investments in the Spray Drying Plant which has not yet commenced commercial production. For a comparable year on year study, if these investments were excluded from 1999 and 2000 exercise the revised figures would look as under :-

	1999	2000
ROCE (%)	58.78	57.55
RONW (%)	43.32	49.50

DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report on the business and operations of your Company and the Audited Accounts of the Company for the year ended 31st December, 2000.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	2000	1999
Sales	85834.43	70565.95
Gross Profit (before Depreciation, Amortisation, Exceptional Items and Taxation)	17068.94	14544.11
Less: Depreciation	1366.98	1127.45
Less: Amortisation of :		
- Patents and Trade Marks	244.79	-
- Deferred Revenue Expenditure	284.48	20.97
Profit before Exceptional Items and Taxation	15172.69	13395.69
Add: Exceptional Income	-	*437.48
Profit Before Taxation	15172.69	13833.17
Less: Provision for Taxation	3980.00	4067.20
	11192.69	9765.97
Add / (Less) :		
Taxation adjustment of Previous Years	9.46	(4.83)
Profit available for appropriations	11202.15	9761.14

- Previous year's figures regrouped/reclassified wherever necessary to conform to this year's classification.
- * Profit on sale of Bangalore property shown under Other Income last year.

Appropriations

Dividends		
- First Interim	1361.42	1225.28
- Second Interim	1497.56	1361.42
Corporate Dividend Tax Transferred to General Reserve	628.98	284.54
	7714.19	6889.90
	11202.15	9761.14

PERFORMANCE OF THE COMPANY

The Company's overall turnover at Rs. 85834.43 lakhs, recorded a growth of 21.6% over 1999. The performance of the Company has been commendable especially in view of the fact that major part of 2000 witnessed a slowdown in most segments of the Indian economy. This resulted in an adverse economic environment and market conditions became tight and difficult.

The Operating Profit before Depreciation, Amortisation, Exceptional Income and Taxation at Rs.17068.94 lakhs for the year ended 31st December, 2000 represents a growth of 17.3% over the previous year while Profit before Taxation grew by 9.7%, reflecting not only the extremely competitive market situation but other influencing factors. These include an additional charge for depreciation / amortisation on account of patents and trademarks and other intellectual property rights, the commencement of the amortisation charge of miscellaneous expenses representing the cost of implementation of two ERP packages involving re-engineering of business processes and systems, and the cost of deferred revenue expenses spent on renovation / interior decoration at our new office premises at DLF, Gurgaon.

Profit after Taxation shows an increase of 14.8% over 1999. This healthy double digit growth in profits has been achieved by a continuing process of value re-engineering, innovations, effective management of costs and expenses, 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. The tax benefit obtained from the acquisition of the brands VIVA and MALTOVA during the year and the favourable agricultural commodity prices which prevailed during the first half of the year also helped the Company in posting favourable results for the year.

RESERVES

The total Reserves as on 31st December, 2000 stood at Rs. 32915.58 lakhs representing an increase of 30.6% from last year.

DIVIDENDS

The Directors consider that the two interim dividends aggregating to Rs. 6.30 per share declared, to be reasonable and commensurate with the results for the year ended 31st



December, 2000 and do not recommend a final dividend for the year.

EXPORTS

During the year foreign exchange earnings through exports amounted to Rs. 3097.60 lakhs covering exports to Bangladesh, Myanmar, Sri Lanka and Middle East markets which represents a 69% increase over the previous year.

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 launch Horlicks Plus and other brand variants during the year. The relaunch of Boost made last year with superior product claims and improved packaging helped the company to improve the value sales of the brand considerably during the year. 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 OF FACILITIES

The Company continued to modernise its existing plant & machinery and production facilities at its Plants at Nabha, Rajahmundry and the various Packing Stations across the country. There has been considerable improvements made in GMP standards, basic hygiene and safety parameters at all our manufacturing locations. The modernisation of the facilities has also resulted in enhancing the capital and labour productivity which are being reflected through improved margins.

CREATION OF NEW CAPACITY

The Company is within its cost and time target for the construction of the new capacity at Sonepat. The plant at Sonepat will have the state of the art plant and machinery, the biggest spray drying plant in Asia with European GMP and safety standards. The Company, as a responsible corporate citizen, will be incorporating all the eco friendly measures in the new plant. The Company has till date spent Rs.172.72 crores on the project. The commercial production is expected to commence from Quarter I, 2002.

NEW ACQUISITIONS

The Company acquired two new Brands VIVA and MALTOVA during the year from Jagatjit Industries Ltd. (JIL) including their patents and trademarks. The Company also tied up the manufacturing capacity of JIL for the manufacture of Viva / Maltova on a long term contract manufacturing basis. The Company would be amortising the cost of acquisition of the patents and trade marks over their estimated economic life of 20 years commencing from 01.07.2000.

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. The plant at Rajahmundry has received ISO 14000 accreditation during the year in addition to its ISO 9002 certification received earlier.

INFORMATION TECHNOLOGY

Your Company has always been at the forefront of Information Technology having implemented two ERP packages and connecting up all its business locations all over the country via satellite links.

During the year the Company started B2B operations with its leading vendors for the purchase of raw materials and services. This initiative brought in considerable amount of savings in resources for the Company.

GLOBAL MERGER

The Parent Company of SmithKline Beecham Consumer Healthcare Ltd. - SmithKline Beecham plc globally merged with Glaxo Wellcome plc as at 27th December, 2000 to form a new entity called GlaxoSmithKline plc. Your Company in India will continue to remain an Associate of GlaxoSmithKline plc. The business of this Company and its corporate entity will however continue to remain 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' REPORT**DIRECTORS**

There was no change in the Directorships of the Company during the year. Mr. Abhinandan Chatterjee, Mr. P. Dwarakanath and Mr. P. S. Mukherjee were re-appointed as Directors in the wholetime employment of the Company for a period of 5 years effective 1st March, 2000.

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 units throughout the Company. The Company continued its focus on training and developing people through internal and external management development programmes and overseas assignments. The Company signed a 3 year long term agreement with the Labour Union at its Nabha as well as its Rajahmundry plant during the year.

ENVIRONMENT AND SOCIAL COMMITMENT

Your Company recognises its responsibility to the community in which it operates. As in the previous years, your Company organised camps around its factories at Nabha and Rajahmundry where latest knowledge and techniques on breeding, feeding, dairy management practices for quality milk production was disseminated to the farmers. At Rajahmundry, free de-worming camps were organised for the children of the nearby villages.

A free eye care centre was set up at Sonapat last year offering free eye care and operation facilities for Sonapat and surrounding areas. It caters to about 1000 patients a month who are attended by eye specialists and eye surgeons and about 100 operations are done per month. The Company meets all the pre and post operation expenses including transportation. Additionally, the Company has developed an Eco plantation site at Nabha.

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
P.Dwarakanath
P.S. Mukherjee
S.S. Dugal
Directors

Neemrana (Rajasthan)
Dated: 2nd February, 2001