

# Annual Report

*for the year ended December 31, 2008*

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED



# Years

OF HEALTH,  
INNOVATION  
& GROWTH.







**CHAIRMAN**

Simon J. Scarff, O.B.E

**MANAGING DIRECTOR**

Zubair Ahmed

**DIRECTORS**

Ashok Dayal

Kunal Kashyap

P. Dwarakanath

P. Murari

Praveen K Gupta

Ramakrishnan Subramanian

Subodh Bhargava

**COMPANY SECRETARY**

Surinder Kumar

**CONTENTS**

Board of Directors, etc.	1
Financial Statistics	2
Financial Highlights	3
Directors' Report	4
Management Discussion & Analysis Report	8
Corporate Governance Report	11
CEO & CFO Certification	19
Auditor's Report	20
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedule 1, 2	28
Schedule 3, 4	29
Schedule 5, 6, 7, 8, 9	31
Schedule 10, 11, 12	32
Schedule 13, 14, 15	33
Schedule 16	34
Balance Sheet Abstract & Company's General Business Profile	48

**BANKERS**

Deutsche Bank

Citibank N.A.

Bank of America

The Hongkong & Shanghai Banking  
Corporation Limited**AUDITORS**

Price Waterhouse

**REGISTERED OFFICE**

Patiala Road, Nabha 147 201

**HEAD OFFICE**

DLF Plaza Tower, DLF City Phase - I

Gurgaon 122 002 (Haryana)

**REGISTRARS AND TRANSFER AGENTS**

Karvy Computershare Pvt. Ltd.

Plot No. 17-24 Vittal Rao Nagar

Near Image Hospital, Madhapur

Hyderabad – 500 081

# FINANCIAL STATISTICS

## OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

### TEN YEAR FINANCIAL STATISTICS

(Rs. Lacs)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>SOURCES OF FUNDS</b>										
Share Capital	45,38	45,38	45,38	45,38	45,38	45,38	42,06	42,06	42,06	42,06
Reserves & Surplus	2,52,01	3,29,10	3,96,04	4,37,84	4,46,73	4,83,92	4,33,06	5,00,66	6,04,29	7,18,82
TOTAL SHAREHOLDERS' FUNDS	2,97,39	3,74,54	4,41,42	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88
BORROWINGS	20,00	55,00	75,66	-	-	-	-	-	-	-
<b>FUNDS EMPLOYED</b>	<b>3,17,39</b>	<b>4,29,54</b>	<b>5,17,08</b>	<b>4,83,22</b>	<b>4,92,11</b>	<b>5,29,30</b>	<b>4,75,11</b>	<b>5,42,72</b>	<b>6,46,35</b>	<b>7,60,88</b>
DEFERRED TAX LIABILITIES	-	-	28,16	35,63	28,16	31,98	27,60	24,07	17,28	6,58,45
<b>TOTAL</b>	<b>3,17,39</b>	<b>4,29,54</b>	<b>5,45,24</b>	<b>5,18,85</b>	<b>5,20,27</b>	<b>5,61,28</b>	<b>5,02,71</b>	<b>5,66,79</b>	<b>6,63,63</b>	<b>7,67,46</b>
<b>APPLICATION OF FUNDS</b>										
Gross Fixed Assets	1,95,74	4,02,10	4,96,90	5,15,56	4,92,22	5,04,63	5,17,74	5,28,21	5,40,99	5,55,79
Depreciation	58,60	70,04	84,55	1,22,70	1,62,31	1,97,24	2,33,95	2,70,32	2,97,65	3,29,24
NET FIXED ASSETS	1,37,07	3,32,14	4,12,35	3,92,86	3,29,91	3,07,39	2,83,79	2,57,89	2,43,34	2,26,56
INVESTMENTS	29,00	-	-	1	-	-	-	2,19,68	2,97,83	0.05
Gross Current Assets, Loans and Advances	2,42,90	2,56,80	2,98,15	2,93,43	3,63,02	4,32,20	4,01,79	2,97,76	3,71,13	8,53,37
Current Liabilities & Provisions	1,12,69	1,78,12	1,80,04	1,77,28	1,77,57	1,78,31	1,82,87	2,08,55	2,48,67	3,12,46
NET CURRENT ASSETS	1,30,21	78,68	1,18,11	1,16,15	1,85,45	2,53,89	2,18,92	89,21	1,22,46	5,40,90
MISCELLANEOUS EXPENDITURE	21,11	18,72	14,78	9,85	4,91	-	-	-	-	-
<b>TOTAL APPLICATION</b>	<b>3,17,39</b>	<b>4,29,54</b>	<b>5,45,24</b>	<b>5,18,85</b>	<b>5,20,27</b>	<b>5,61,28</b>	<b>5,02,71</b>	<b>5,66,79</b>	<b>6,63,63</b>	<b>7,67,46</b>

### TEN YEAR TRACK RECORD

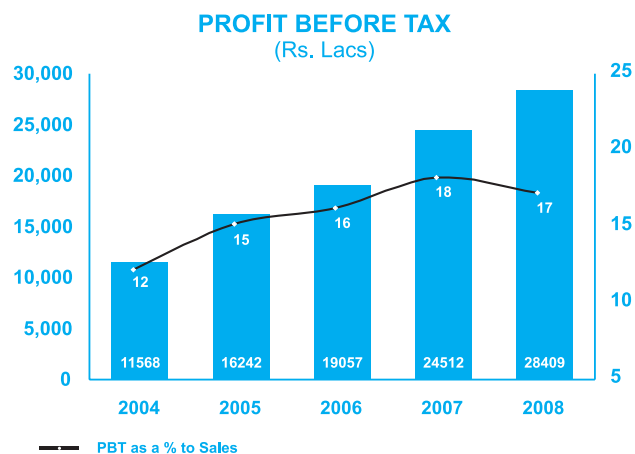
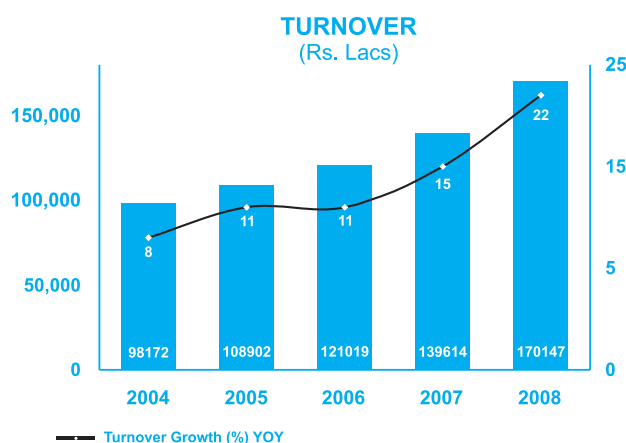
TURNOVER	7,20,48	8,75,12	9,92,14	8,71,06	9,08,95	9,81,72	10,89,02	12,10,19	13,96,14	17,01,47
PROFIT BEFORE TAX	1,38,33	1,51,73	1,93,96	1,26,71	99,58	1,15,68	1,62,42	1,90,57	2,45,12	2,84,09
NET PROFIT	97,61	1,12,02	1,26,63	85,01	76,35	73,16	1,07,15	1,26,93	1,62,68	1,88,33
DIVIDEND PAYOUT	25,87	28,59	31,77	31,77	31,77	31,77	33,64	42,06	50,47	63,08
CORPORATE DIVIDEND TAX	2,84	6,29	3,24	-	4,07	4,15	4,72	5,90	8,58	10,72
RETAINED EARNINGS	68,90	77,14	91,62	53,24	40,51	37,24	68,79	78,98	1,03,63	1,14,53
DIVIDEND - %	57	63	70	70	70	70	80	100	120	150
EARNINGS PER SHARE (Rs.)	21.51	24.68	27.90	18.73	16.82	16.12	24.84	30.18	38.68	44.78
NUMBER OF SHARE HOLDERS	31,690	33,019	31,442	30,607	30,607	28,048	24,571	24,019	22,315	22,548



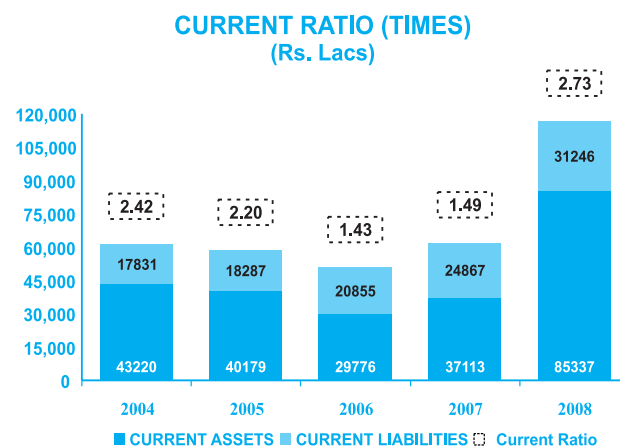
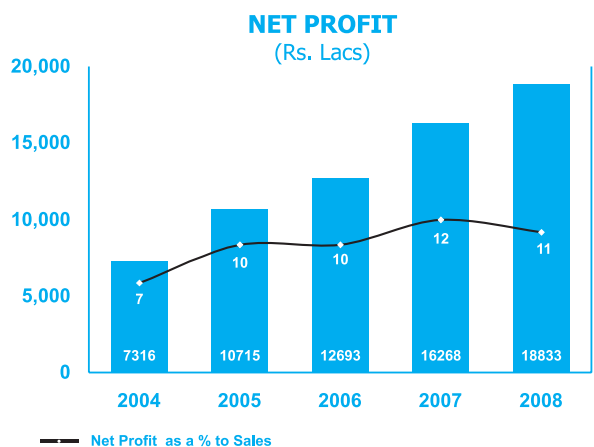
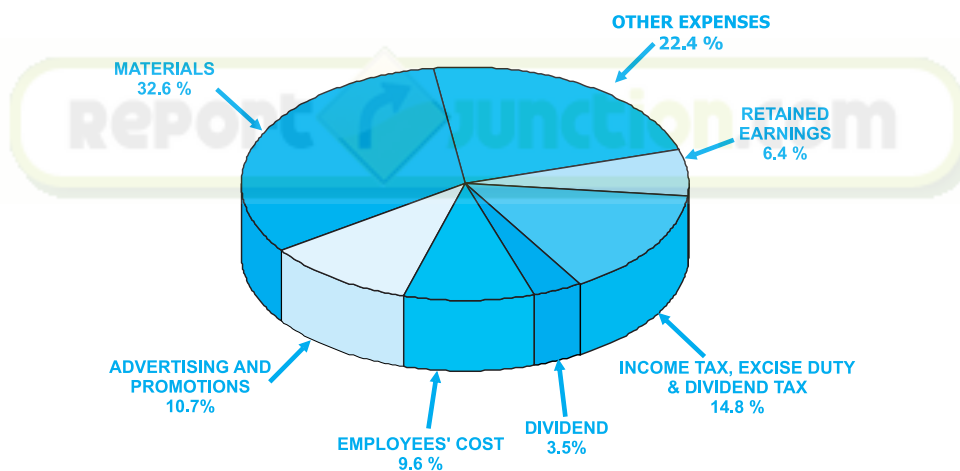
# FINANCIAL HIGHLIGHTS

## OF

### GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED



### UTILIZATION OF INCOME 2008



## OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

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 December 31, 2008.

### FINANCIAL RESULTS

	(Rs. Lacs)	
	2008	2007
Sales	17,01,47.22	13,96,14.38
Profit before Depreciation,		
Amortisation and Tax	3,26,03.58	2,88,61.41
Less: Depreciation	37,34.34	38,88.79
Less: Amortisation of :		
- Patents and Trade Marks	4,60.62	4,60.62
Profit before Tax	2,84,08.62	2,45,12.00
Less: Provision for Tax		
- Current Tax	1,00,80.00	84,50.00
- Deferred Tax	(10,69.61)	(6,78.61)
- Adjustment of Previous Years	-	(1.93)
- Fringe Benefit Tax	5,65.00	4,75.00
	95,75.39	82,44.47
Profit after Tax	1,88,33.23	1,62,67.54
Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.		
<b>Appropriations</b>		
Dividends	42,05.55	50,46.68
Proposed Final Dividend	21,02.78	-
Corporate Dividend Tax	10,72.10	8,57.71
Transferred to General Reserves	1,14,52.80	1,03,63.15
	1,88,33.23	1,62,67.54
Earnings Per Share (Rs.) (Basic & Diluted)	44.78	38.68

### PERFORMANCE OF THE COMPANY

The key objective for the year was to achieve an impressive top line growth while maintaining costs at lowest possible levels. Your Company is pleased to report 21.9% sales growth and 15.8% PAT growth for 2008 over the previous year. It is heartening to note that this growth has been driven across all regions and major brands.

2008 was a landmark year as the Company delivered fourth consecutive year of double digit growth with a growth rate of 21.9 % in 2008. Horlicks, clinically tested to make children "Taller, Sharper & Stronger", continues to grow stronger by the day.

Top line growth continues to be supported by aggressive advertisement and various sales and marketing initiatives.

Your Company has taken several initiatives to reduce operating costs in the business. Your Company continues to operate with minimum trade pipelines, selling as per the market demands, and maintaining a very efficient supply chain.

Year 2008 being a very uncertain year for money market, the Company in the fourth quarter divested all its investments from the Debt Market and started investing in short term bank deposits with Banks. The year end term deposits with Banks being Rs. 4,50,50 Lacs. During the year the interest and dividend income has increased by Rs. 13,54.75 Lacs.

During the year input costs of Raw Material, Packing Material and Finished Goods, as a percentage to sales increased to 34.4% as against 32.1% last year mainly due to higher input costs (particularly liquid milk and skimmed milk powder).

### DIVIDENDS

For the year ended December 31, 2008, an Interim dividend of Rs. 10 per equity share of Rs. 10 each was declared on October 24, 2008 and paid to the shareholders on November 18, 2008. In addition, the Directors have recommended a final dividend at the rate of Rs. 5 per share. Accordingly, the total dividend (including the dividend recommended) for the financial year ended December 31, 2008 totals to Rs. 15 per equity share of Rs. 10 each.

Final dividend, if approved by the Members at the ensuing Annual General Meeting to be held on April 24, 2009, will be paid on or before May 14, 2009 to those Members whose names appear in the Company's Register of Members as on April 15, 2009. However, in respect of shares held in electronic form, the dividend will be payable to those persons whose names appear as beneficial owners, as per the details to be furnished by the Depositories, as at the close of business hours on April 15, 2009.

### RESERVES

The total Reserves as on December 31, 2008 stood at Rs. 7,18,82.30 Lacs representing an increase of 19% from last year.

### EXPORTS

During the year the Company's export earnings amounting to Rs. 1,38,42.79 Lacs covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East, Nepal, Bhutan and other markets representing an increase of 98.7% over the previous year.

### RESEARCH AND DEVELOPMENT

The Research & Development function in 2008 has been a valuable contributor to the outstanding performance of the Company. The major areas of contribution lay in fuelling innovation through a number of new product developments. This year saw the launch of two new products, namely ActiBase and Women's Horlicks. Several projects are in an advanced stage of development for launches planned in 2009.



This good performance can be attributed to the highly qualified and committed team of scientists at R&D, as well as adopting newer ways of working by leveraging the technical expertise of ingredient manufacturers and industry experts have enabled in accelerating innovation, to be able to effectively meet the high growth targets of the company.

#### **ISO CERTIFICATION**

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonepat continue to be certified to the latest version of ISO 9001:2000 and ISO 14001:2004 by DNV, a leading International certification Company whereas the Rajahmundry site has also been accredited with SA8000. Nabha production facility has already been certified for HACCP (Hazard Analysis Critical Control Point for Food safety).

Manufacturing/packing sites i.e. Pratap Health Foods Ltd. at Hyderabad, Parsons Ltd. at Ghaziabad, Legacy Foods at Baddi and SRDN at Guwahati have already been ISO 9001-2000 certified by DNV.

These certifications indicate our commitment in meeting, in a sustainable manner, Global Quality, Environment Health and Safety Standards.

#### **INFORMATION TECHNOLOGY**

Your Company continues to be at the forefront of Information Technology having implemented two ERP packages. During the year, your Company has rolled out Business Intelligence Tool for Sales Analysis and Reporting to achieve higher sales growth. Further your Company continued the web based Treasury operation integrating its Payments to vendors and Collections from customers centrally and now focusing on bringing other operations under this umbrella. Connected to all its business locations all over the country via satellite and terrestrial links, the Company is now concentrating on web based Business Solutions.

#### **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**

There was no change in the Directors of the Company during the year.

#### **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**

As in the past years, the management continued to take a keen interest in Human Resource Development. Harmonious industrial relations continued to prevail at all the units throughout the Company. The management continued to focus on Human Resource Development

through in-house and external management development programmes and foreign assignments.

#### **ENVIRONMENT AND SOCIAL COMMITMENT**

Your Company, in its endeavour to serve the community, continues to contribute in and around the areas where it operates.

Under program on "Health & Education for Women" at Sonepat, various activities included distribution of sewing machines, health camp and vocational training (stitching & embroidery) to the rural womenfolk for empowering them. Site donated furniture to schools in 2 villages and distributed blankets to needy people. CFL lamps were distributed to 450 households to generate environment commitment.

During the year, both Nabha and Rajahmundry continued environment education programme to impact younger generation in local schools. Computers were donated to improve infrastructure in needy schools. Bus shelter constructed at one more location at Nabha for local residents. Rajahmundry site worked on enhancing the personal hygiene aimed at reduction of communicable diseases and initiated project on provision of livelihood to differently abled individuals and weaker sections. Site conducted environment training for the teachers in the Govt. schools in the district.

#### **PARTICULARS OF EMPLOYEES**

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217 (2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis is reported in this Annual Report.

#### **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.

Your Directors look forward to the future with confidence.

For and on behalf of the Board

S.J.Scarff	Zubair Ahmed	R. Subramanian
<i>Chairman</i>	<i>Managing Director</i>	<i>Subodh Bhargava</i>
		<i>Directors</i>

Place : Gurgaon

Dated : January 27, 2009

## ANNEXURE TO THE DIRECTORS' REPORT 2008

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

Sonepat factory received National Energy Conservation Awards for the 3<sup>rd</sup> year in a row in the food processing sector. The site achieved significant energy savings by implementing various initiatives and projects.

#### A. CONSERVATION OF ENERGY

##### (a) Energy Conservation Measures Taken

###### 1. Steam

The energy conservation initiatives program such as optimization of Boiler Efficiencies, Installation of Multiple Effect Evaporator at Rajahmundry and improvements in process efficiencies being driven at sites as part of Operational Excellence program have resulted in reduction in steam consumption at sites.

###### 2. Electricity

The energy Conservation initiatives such as Co-generation turbine, Mist cooling tower and efficient barometric condensers at Nabha and energy efficient lighting across all sites as part of Operational Excellence program have resulted in reduction in electricity consumption at sites.

The above initiatives have helped the company to minimize the adverse impact on per ton energy consumption, caused by higher utilization of more energy intensive plant and change in manufacturing process. The manufacturing process was changed to optimize overall network efficiencies and cost.

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

Various steps and measures are being initiated to continuously improve on consumption of coal and electricity at all the sites. Some of the major investments are the Multiple Effect Evaporator at Rajahmundry, Co-generation turbine, Mist cooling tower and energy efficient barometric condensers at Nabha, Coal fired, FBC boiler at Sonepat and energy efficient lighting across all sites. All sites took a number of initiatives on renewable energy and implemented wind ventilators, Natural sun lighting in buildings and Solar lights.

##### (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

The above mentioned energy saving initiatives have helped the company to contain its utility cost despite the increase in the rates.

##### (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"

	2008	2007
<b>A. Power and Fuel Consumption</b>		
<b>1. Electricity</b>		
a) Purchased Units (in Lacs)	3,02.97	2,68.14
Total amount (Rs. Lacs)	14,91.89	11,76.64
Rate/Unit (Rs.)	4.92	4.39
b) Own Generation-		
1) DG Sets		
Units (in Lacs)	41.12	23.13
Units per litre of Diesel oil	3.55	3.45
Cost/Unit (Rs.)	9.16	8.80
2) Turbine		
Units (in Lacs)*	21.12	17.62

###### 2. Coal Used in Boilers

Quality (Calorific value ranging between 2500 to 3500 BTU)

Quantity (Tonnes)*	35,122	28,627
Total Cost (Rs. Lacs)	14,79.95	10,33.57
Average Rate (Rs.)	4,213.74	3,610.49

\*Includes Coal consumed to produce steam to generate electricity from Turbine.

###### B. Consumption per unit of Production:

	Current Year		Previous Year	
	Coal MT	Power Units	Coal MT	Power Units
1. Malt Based food/Energy and Protein Health Food/Cereal based Food/ Powdered Milk (Per Ton)	0.53	476	0.48	433
2. Ghee & Butter (Per Ton)	0.27	137	0.39	138

In case of Ghee, the allocation procedure has been revised and only the electricity consumption for ghee manufacturing section has been considered.

#### B. TECHNOLOGY ABSORPTION

##### RESEARCH & DEVELOPMENT (R&D)

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

The key focus areas for the Research and Development function were: development of new products, foray into new product categories, development of new products with external partnering, cost innovations, building superior product claims on existing products, innovative and improved packaging, and ensuring regulatory compliance on all our products.



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

Existing brands have shown considerable growth in the year, ably supported by the technical support and renovation efforts of R&D; effective technical capabilities have been built in new categories so as to enable a strong foothold for the Company for entry in these segments. Cost innovations (worth approx. Rs. 4 crores delivered this year) have helped mitigate the impact due to escalating input costs. Introduction of new products with superior scientific claims have strengthened our position as the market leader in the Health Food Drinks segment.

**(3) Further Plan of Action**

The focus for R&D will be to contribute to the Company's high growth vision by continuing to innovate strongly in both the Health Food Drinks market as well as in new segments, with the development of science-based products of high nutritional value. Supporting the business by delivering cost innovations in both packaging and product is another important deliverable for R&D.

**(4) Expenditure on R&D**

	(Rs. Lacs)	
	2008	2007
a) Capital	27.21	43.31
b) Recurring	18,58.78	13,49.90
c) Total	18,85.99	13,93.21
d) Total R&D Exp. as a percentage of total turnover	1.11%	1.00%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company is continuously taking steps to improve the product and process technology in an effort to provide for better value for money to consumers.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

**(a) Activities relating to exports : Initiatives taken to increase exports: Development of new export methods for products and services and export plans**

The Foreign exchange earnings through exports have substantially increased in the current year covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East and other markets. The efforts to broaden the export base to other countries in South East Asia and the Middle East are continuing.

**(b) Total Foreign Exchange used and earned:**

	(Rs. Lacs)	
	2008	2007
Foreign exchange Earnings	1,08,31.95	44,53.47
Foreign exchange outgo	23,31.05	25,59.12

**DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956**

The financial statements of the Company for the year ended December 31, 2008 have been prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956. All the financial statements have been prepared on a historical cost convention, as a going concern and on the accrual basis. There have been no material departures in the adoption and application of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied except where otherwise stated in the notes to accounts.

The Board of Directors of GlaxoSmithKline Consumer Healthcare Limited (GSKCH) accepts the responsibility for the integrity and the objectivity of these financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis in order to ensure that the financial statements reflect in a true and fair manner the form and substance of the transactions and reasonably present the Company's state of affairs and profits for the year. To ensure this, the Directors have taken proper and adequate care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. The internal control systems are reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been followed for safe-guarding the assets of the Company and for protecting any form of fraud and irregularities, subject to the inherent limitations in any system and procedure and coverage thereof that should be recognized in weighing the assurance provided by system of internal controls and accounts.

The financial statements have been audited by Price Waterhouse, Chartered Accountants. The Audit Committee of GSKCH meets on a quarterly basis to review the manner in which the internal auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

For and on behalf of the Board

S.J.Scarff Chairman	Zubair Ahmed Managing Director	R. Subramanian Subodh Bhargava Directors
------------------------	-----------------------------------	------------------------------------------------

Place : Gurgaon  
Dated : January 27, 2009

## OF GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

### INDUSTRY STRUCTURE AND DEVELOPMENT

India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The Indian food industry is estimated to be worth over \$200 billion and is likely to double in the next ten years. The steady growth of the Indian economy and the improving lifestyle of Indians have been instrumental in this growth.

Sustained by high agricultural output, international demand and a strong domestic market, the Indian food industry offers ample scope for large investments in processing technologies, skills and equipment, packaging, refrigeration of frozen food and thermo processing. Health food and health food supplements are one of the rapidly rising segments of this industry which is gaining vast popularity amongst the health conscious.

However, the Indian food processing industry is still in a nascent stage and its contribution to the Gross Domestic Product (GDP) is low at 6.3 per cent. The share of India processed food in the international trade is only 1.6 per cent and the Government of India aims to propel the industry growth through various initiatives like government subsidies, tax breaks, increased FDI, improved infrastructure facilities, modern retail formats and international road shows to achieve the growth target of 3 per cent by 2015.

The Food Safety and Standards (Amendment) Bill, 2008, a bill to amend the Food Safety and Standards Act, 2006 effective 7th February 2008 has been passed with a view to consolidate the laws relating to the Food in the country and for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import, to ensure availability of safe and wholesome food for human consumption and for that purpose to establish the Food Safety and Standards Authority of India.

### OPPORTUNITIES, THREATS AND OUTLOOK

With rising household incomes, increasing urbanization, changing lifestyles, growth in working women's population and the rapid growth of the private-sector industry should lead to greater demand for processed food products. The most promising sub-sectors includes Confectionery manufacture, Grain-based products, Beverages, Health products, Milk processing, Ready-to-eat breakfast cereals, Food additives, Flavors etc. Increased per capita income and high corporate interest in the organized retail market creates a platform for the Indian food industry to leap forward.

However, challenges those lie for the industry is the economy which looks very volatile with the GDP growth estimates for 2009 have been revised downwards to ~ 6%, without factoring in the impact of the recent financial crisis. The financial crisis could accelerate and/or deepen the slow-down with a direct impact on the Indian outsourcing industry and exports led sectors. High inflation has offset the rise in Household incomes as the disposable income of people has declined viz a viz previous years.

### PRODUCT WISE PERFORMANCE

2008 was a year of New Product Launches, where the Company ventured to a unprecedented launches of 3 new products in 1st quarter of the year. In January we launched Women's Horlicks – India's first health drink designed keeping women's nutritional needs in mind. We also launched ActiBase under the GlaxoNutrition umbrella to tap into the fast growing specialist nutrition segment. Finally, Boost Bites was launched. Your Company continues to perform well with a robust sales growth of 21.9 % over 2007. Horlicks which is clinically tested to make children "Taller, Sharper & Stronger", continues to grow strong. Boost along with Boost Chocoblast maintained the momentum and continued to deliver double digit sales growths. During the year the business however faced severe challenges on the cost front with Milk, Malted Barley and other agro commodities prices plunging to the ever increasing inflation trends. However, aggressive cost effectiveness measures taken by your Company helped to neutralize the inflation costs.

### RISKS & CONCERNS

Your Company annually reviews "risk maps" to help identify potential business threats. The capability of these risk mitigation plans, developed to redress identified threats, is honed to protect the interests of all stakeholders including shareholders. Crisis management plans are well documented and simulation tests across critical business sites have been conducted successfully. Learnings from these tests have helped enhance the effectiveness of the plans.

As with any agro based industry, input costs are influenced not only by the vagaries of nature but also government policies and the movements in the international market. Your Company continues to recognize the importance of the price-value equation and the need to be sensitive to retail price changes to counter the volatility of input costs.

### FINANCIAL RISK

The Company has no loan outstanding as on December 31, 2008.

The Company has minimal import requirements for its production process. The Company exports during the year stood at Rs. 1,38,42.79 Lacs (which includes Rs. 30,35.87 Lacs exported to Nepal & Bhutan). Hence no risk is envisaged to the business on account of currency fluctuations.