

Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2009

*Higher Growth
starts with Innovation*



GlaxoSmithKline

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED





GLAXOSMITHKLINE
CONSUMER HEALTHCARE LIMITED
Registered Office: Patiala Road, Nabha 147 201 (Punjab)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTY FIRST ANNUAL GENERAL MEETING of GlaxoSmithKline Consumer Healthcare Limited will be held at the Punjab Public School Auditorium, The Punjab Public School (Senior Wing), Nabha 147 201 (Punjab) on Friday, April 23, 2010 at 9.30 a.m. to transact the following business :-

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account for the year ended December 31, 2009, the Balance Sheet as at that date together with the Reports of the Directors and Auditors.
2. To declare a Dividend on equity shares for the year ended December 31, 2009.
3. To appoint Auditors for the current year and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby given for the appointment of Mr. Ramakrishnan Subramanian as the Wholtime Director of the Company with effect from 1st August 2009 for a period of three years, on remuneration including perquisites and other terms and conditions of the appointment not exceeding the limits as enumerated below:

a) Salary

Basic salary and allowances shall not exceed Rs. 12,00,000 per month. In addition to basic salary and allowances, bonus will be paid in accordance with the Company's Rules.

b) Commission

In addition to Salary, Allowances and Bonus, Commission may also be paid based on net profits of the Company in a particular financial year computed in the manner laid down in Section 309(5) of the Companies Act, 1956, the amount of which shall not exceed 50% of the annual salary.

c) Perquisites

In addition to Salary and Commission as above, the expenses incurred by the Company on perquisites shall be restricted to the following

- i. Housing: Mr. Ramakrishnan Subramanian shall be entitled to House Rent Allowance in accordance with the Company's Rules. He shall also be entitled to housing loan as per Company's rules.
- ii. Medical Reimbursement: Expenses incurred for Mr. Ramakrishnan Subramanian and his dependent family as per Company rules. He shall also be entitled to post retirement medical benefits to cover him and his spouse.
- iii. Club Membership: Club Membership of maximum two clubs.
- iv. Personal Accident and Life Insurance will be provided in accordance with Company rules.
- v. Company maintained car including fuel expenses or allowance in lieu thereof in accordance with the Company's Rules.
- vi. Reimbursement of telephone expenses for business purposes in accordance with the Company Rules.

vii. Leave with full salary, bonus, allowances, commission and perquisites as applicable in accordance with the Company's Rules.

viii. Mr. Ramakrishnan Subramanian is also entitled to Employee Share Option Schemes / Plans of the Company or that of GSK plc as per Company's rules."

Minimum Remuneration

"RESOLVED FURTHER THAT notwithstanding anything hereinabove stated, where in any financial year, during the tenure of Mr. Ramakrishnan Subramanian as Wholtime Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, perquisites and any other allowances not exceeding the maximum limits as prescribed under Para I of Section II of Part II of Schedule XIII to the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII to the Companies Act, 1956, as may be amended from time to time."

Other Terms

"RESOLVED FURTHER THAT Mr. Ramakrishnan Subramanian shall also be eligible to the following which shall not be included in the computation of the ceiling on remuneration hereinabove stated:

- i. Contribution to Provident Fund, Superannuation Fund or any other applicable retirement scheme in accordance with the Company's Rules.
- ii. Gratuity, as per Payment of Gratuity Act, 1972 i.e. a maximum of Rs. 3.5 Lacs, or such other sum as may be prescribed in the said Act from time to time, and
- iii. Any other retirement benefits in accordance with the Company's Rules."

"RESOLVED FURTHER THAT all the salary, allowances and perquisites payable to Mr. Ramakrishnan Subramanian shall be subject to Income Tax Act and Rules as applicable from time to time."

"RESOLVED FURTHER THAT the appointment of Mr. Ramakrishnan Subramanian as Wholtime Director of the Company can be terminated by either side by giving to the other three months notice in writing."

"RESOLVED FURTHER THAT the Board of Directors has the liberty to fix, alter and vary such remuneration within the limits specified."

5. To appoint Directors in accordance with the provisions of Section 265 of the Companies Act, 1956 and Article 97 of the Articles of Association of the Company by poll.

NOTE: Notices under Section 257 of the Companies Act, 1956 have been received from some members proposing the candidature of Mr. Kunal Kashyap, Mr. P Dwarakanath, Mr. Praveen K Gupta, Mr. Subodh Bhargava, Mr. Naresh Dayal and Mr. Mukesh H Butani for appointment as Directors of the Company.

6. To consider and if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution :-

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby given for the appointment of Mr. Praveen K Gupta as the Wholtime Director of the Company with effect from 24 April 2010 up to the Annual General Meeting to be held in 2013, on remuneration including

perquisites and other terms and conditions of the appointment not exceeding the limits as enumerated below:

a) Salary

Basic salary and allowances shall not exceed Rs.12,00,000 per month. In addition to basic salary and allowances, bonus will be paid in accordance with the Company's Rules.

b) Commission

In addition to Salary, Allowances and Bonus, Commission may also be paid based on net profits of the Company in a particular financial year computed in the manner laid down in Section 309(5) of the Companies Act, 1956, the amount of which shall not exceed 50% of the annual salary.

c) Perquisites

In addition to Salary and Commission as above, the expenses incurred by the Company on perquisites shall be restricted to the following

- i. Housing: Mr. Praveen K Gupta shall be entitled to House Rent Allowance in accordance with the Company's Rules. He shall also be entitled to housing loan as per Company's rules.
- ii. Medical Reimbursement: Expenses incurred for Mr. Praveen K Gupta and his dependent family as per Company rules. He shall also be entitled to post retirement medical benefits to cover him and his spouse.
- iii. Club Membership: Club Membership of maximum two clubs.
- iv. Personal Accident and Life Insurance will be provided in accordance with Company rules.
- v. Company maintained car including fuel expenses or allowance in lieu thereof in accordance with the Company's Rules.
- vi. Reimbursement of telephone expenses for business purposes in accordance with the Company Rules.
- vii. Leave with full salary, bonus, allowances, commission and perquisites as applicable in accordance with the Company's Rules.
- viii. Mr. Praveen K Gupta is also entitled to Employee Share Option Schemes / Plans of the Company or that of GSK plc as per Company's rules."

Minimum Remuneration

"RESOLVED FURTHER THAT notwithstanding anything hereinabove stated, where in any financial year, during the tenure of Mr. Praveen K Gupta as Wholtime Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, perquisites and any other allowances not exceeding the maximum limits as prescribed under Para I of Section II of Part II of Schedule XIII to the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII to the Companies Act, 1956, as may be amended from time to time."

Other Terms

"RESOLVED FURTHER THAT Mr. Praveen K Gupta shall also be eligible to the following which shall not be included in the computation of the ceiling on remuneration hereinabove stated:

- i. Contribution to Provident Fund, Superannuation Fund or any other applicable retirement scheme in accordance with the Company's Rules.
- ii. Gratuity, in accordance with the Company's Rules.
- iii. Any other retirement benefits in accordance with the Company's Rules."

"RESOLVED FURTHER THAT all the salary, allowances and perquisites payable to Mr. Praveen K Gupta shall be subject to Income Tax Act and Rules as applicable from time to time."

"RESOLVED FURTHER THAT the appointment of Mr. Praveen K Gupta as Wholtime Director of the Company can be terminated by either side by giving to the other three months notice in writing."

"RESOLVED FURTHER THAT the Board of Directors has the liberty to fix, alter and vary such remuneration within the limits specified."

7. To consider and if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the maximum ceiling of Basic Salary and allowances payable to Mr. Zubair Ahmed, Managing Director, be and is hereby revised from Rs. 15,00,000 per month to Rs. 22,00,000 per month w.e.f April 1, 2010, with the liberty to the Board of Directors to fix, alter and vary such Basic Salary and allowances within the limits specified herein."

"RESOLVED FURTHER THAT all other provisions applicable to the remuneration of Mr. Zubair Ahmed, as approved by the Shareholders in their meeting held on April 27, 2007, shall remain unchanged."

By order of the Board

Gurgaon
January 25, 2010

Surinder Kumar
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

Pursuant to a notice dated July 17, 2009 received from Horlicks Limited under Article 97 A of the Articles of Association of the Company, the Board of Directors, at its meeting held on July 29, 2009, appointed Mr. Ramakrishnan Subramanian as Wholtime Director, for a period of three years w.e.f. August 1, 2009. The remuneration payable to Mr. Ramakrishnan Subramanian, being subject to the approval of the members, is placed for approval.

Mr. Ramakrishnan Subramanian has a rich 29 years experience in the FMCG sector, spent across several positions in Finance & procurement functions, in varied foods categories in Hindustan Unilever Ltd. Between 2000-2005, as the Head of the Foods & Beverages Division he was credited with conceptualizing and implementing several innovative and effective measures, to reduce cost and drive Profit growth, across categories. Mr. Ramakrishnan Subramanian joined GlaxoSmithKline Consumer Healthcare Limited in the year 2007 as Deputy CFO and contributed immensely by implementing strategic Cost Reduction projects. He is a cost accountant by profession.

Mr. Ramakrishnan Subramanian is not holding any shares in the Company.

Mr. Ramakrishnan Subramanian is not a Director in any other Company.

MEMORANDUM OF INTEREST

Mr. Ramakrishnan Subramanian is interested in the resolution to the extent specified therein.

No other Director of the Company is concerned or interested in the resolution.

Item No. 5

As per Article 97 of the Articles of Association of the Company, all Directors of your Company, other than those appointed under Article 97A, 117 and 119, shall be appointed under the system of proportional representation once in every three years. Accordingly, the Directors appointed in the Annual General Meeting held on April 27, 2007, shall vacate office at the conclusion of the Annual General Meeting to be held on 23 April 2010. Six Directors will be appointed by the Members under the system of proportional representation in this meeting to hold office for a term of three years.

Notices under Section 257 of the Companies Act, 1956 have been received from some Members proposing the candidature of Mr. Kunal Kashyap, Mr. P Dwarakanath, Mr. Praveen K Gupta, Mr. Subodh Bhargava, Mr. Naresh Dayal and Mr. Mukesh H Butani for appointment as Directors of the Company. We are hereinbelow giving details of all the persons to be appointed as Directors:-

1. Mr. Kunal Kashyap is a Chartered Accountant by profession and is currently the Chairman and Managing Director of Allegro Capital Advisors Pvt Ltd, a leading Investment Bank. Mr. Kunal Kashyap was also the founder and executive director of Celstream Technologies Pvt. Ltd, a leading software product engineering organisation. During the period 1994-2000, he was a global partner at Arthur Andersen responsible for developing the firms' practice in South India. Mr. Kunal Kashyap has also been responsible for managing the treasury and Business Development functions for Asia Pacific at Digital Equipment Corporation. Since March 28, 2001, he has been a Director of this company.

Mr. Kunal Kashyap is a Director on the Board of Cambridge Solutions Ltd.

Mr. Kunal Kashyap is also a Chairman of the Audit Committee and Investors Grievance Committee of Cambridge Solutions Ltd.

Mr. Kunal Kashyap is not holding any shares in the Company.

The appointment being subject to the approval of the Members is placed for approval.

2. Mr. P Dwarakanath retired as Director - Human Resource of the Company w.e.f. July 31, 2006. Mr. Dwarakanath has over 34 years of experience in Engineering, Chemical, Pharma and Consumer Goods industry in the core functional areas of Legal, Employee Relations, Management Development, Leadership Development and HR Management. He has been actively involved in various professional bodies including a successful stint as President of Delhi Management Association (2000/2001).

Mr. P Dwarakanath is a Director on the Board of Pharmax Corporation Ltd., Max Healthstaff International Ltd., Malsi Estates Ltd., Max Medical Services Ltd. and Grow Talent Company Ltd.

Mr. P Dwarakanath is also a member of Audit Committee of Pharmax Corporation Ltd.

Mr. P Dwarakanath is not holding any shares in the Company.

The appointment being subject to the approval of the Members is placed for approval.

3. Mr. Praveen K Gupta joined this Company in 1975. Since then he has held positions of increasing responsibility in Finance, Procurement, Materials Management, and Supply Chain Management. He was previously Site Director of the Nabha facility and Operational Excellence Country Champion for GMS Consumer Healthcare, India. In these roles he has made significant contributions towards the evolution and performance of the Nabha site and has driven the highly successful Operational Excellence programme in India. Since January 24, 2006, Mr. Praveen K Gupta is holding the position of Director - Operations of the Company. In this role he has made significant success in building up a strategy aligned to business growth, strong performance and compliance culture and has made significant contribution to cost reduction initiatives.

Mr. Praveen K Gupta is not a Director in any other company.

Mr. Praveen K Gupta holds three shares in the Company.

The appointment being subject to the approval of the Members is placed for approval.

4. Mr. Subodh Bhargava holds a Degree in Mechanical Engineering from the University of Roorkee. He started his career with Balmer Lawrie & Co., Kolkata before joining the Eicher group of companies in Delhi in 1975. On March 31, 2000, he retired as the Group Chairman and Chief Executive and is now the Chairman Emeritus, Eicher group. He is the past President of the Confederation of Indian Industry (CII) and the Association of Indian Automobile Manufacturers; and the Vice President of the Tractor Manufacturers Association. Over several years, he was a key spokesperson for Indian industry, contributing to and influencing government policy while simultaneously working with industry to evolve new responses to the changing environment. He was a member of the Insurance Tariff Advisory Committee, the Economic Development Board of the Government of Rajasthan. He was also the Chairman of the National

Accreditation Board for Certifying Bodies (NABCB) under the aegis of the Quality Council of India (QCI). Mr. Bhargava has been closely associated with technical and management education in India. He was the Chairman of the Board of Apprenticeship Training and Member of the Board of Governors of the University of Roorkee; The Indian Institute of Foreign Trade, New Delhi; Indian Institute of Management, Indore and the Entrepreneurship Development Institute of India, Ahmedabad. He was also a Member of the senior panel of the All India Council for Technical Education (AICTE) set up for a comprehensive evaluation of research in engineering and technology; and on the committee set up by the Ministry of Human Resource Department, Government of India for policy perspectives for management education in India.

He is a trustee on various government / semi government and charitable organizations and is also on the Board of Governors of IIM Lucknow and other Institutions for Graduate Engineering and Bachelor's and Master's Degree programmes in Business Management. He has been conferred with the first IIT Roorkee Distinguished Alumnus Award in 2005 by Indian Institute of Technology, Roorkee.

Mr. Subodh Bhargava is a Director on the Board of following Companies:

Wartsila India Ltd., Tata Communications Ltd., Tata Steel Ltd., Samtel Color Ltd., TRF Ltd., Carborundum Universal Ltd., Batliboi Ltd., SRF Ltd., Larsen & Toubro Ltd., Tata Motors Ltd., Wireless - TT Info Services Ltd.

Mr. Subodh Bhargava is also a Chairman/member of the Committee of Directors in following Companies:

Samtel Color Ltd. - Chairman - Audit Committee, Carborundum Universal Ltd. - Chairman - Audit Committee, Tata Steel Ltd. - Chairman - Audit Committee, Tata Communication Ltd. - Member - Audit Committee, Wartsila India Ltd. - Member - Audit Committee, TRF Ltd. - Member - Audit Committee, SRF Ltd. - Member - Audit Committee, Batliboi Ltd. - Member Audit Committee.

Mr. Subodh Bhargava is not holding any share in the company.

The appointment being subject to the approval of the members is placed for approval.

5. Mr. Naresh Dayal, IAS, has worked with the Government of India for 37 years in various positions at the state and national levels. As Secretary, Ministry of Health and Family Welfare, Mr. Dayal has been responsible, among other things, for all policies and programs in Public Health, supervising National Health Authorities, assessing and devising the policies for the country's manpower requirements in health. Mr. Dayal holds a Masters degree in Arts from University of Delhi and also in Professional Studies, Agriculture, from University of Cornell, USA.

Mr. Naresh Dayal is not a Director in any other company.

Mr. Naresh Dayal does not hold any shares in the Company.

The appointment being subject to the approval of the Members is placed for approval.

6. Mr. Mukesh H Butani is a Chartered Accountant and is the co-founder and Partner at BMR Advisors, a leading professional service firm with competencies in the area of Tax, Mergers & Acquisitions and Risk and Business advisory services. Mr. Butani has over 24 years experience in advising several fortune 500 multinationals on a range of cross border tax structuring, transfer pricing, mergers & acquisitions, inbound investment structuring and tax controversy matters. Mr. Butani's expertise lies in the area of transfer pricing and has authored treatises on transfer pricing for Lexis Nexis Butterworths, Wolter Kluwers & International Bureau of Fiscal Documentation. He has been a member of Indian government task forces on tax matters and participates in committees on tax policy changes. He is currently a member of OECD's business restructuring advisory group and ICC, taxation commission. He is a member of UN Tax experts sub-committee on dispute resolution and is on the editorial boards of Tax Views Asia and International taxation by Taxmann India.

Mr. Mukesh H Butani is a Director on the Board of Hindustan Oil & Exploration Co. Ltd. and is also the Chairman of the Audit Committee of the Company.

Mr. Mukesh H Butani does not hold any shares in the Company.

The appointment being subject to the approval of the Members is placed for approval.

MEMORANDUM OF INTEREST

Mr. Kunal Kashyap, Mr. P Dwarakanath, Mr. Praveen K Gupta, Mr. Subodh Bhargava, Mr. Naresh Dayal and Mr. Mukesh H Butani are interested in the resolution to the extent specified therein. No other Director of the Company is concerned or interested in the resolution.

Item No. 6

The Board of Directors propose to appoint Mr. Praveen K Gupta as Whole time Director of the Company w.e.f. 24 April, 2010 on the terms and conditions including remuneration and perquisites as approved by Remuneration Committee and Board Meeting held on 25 January, 2010.

The appointment, remuneration payable to him and terms and conditions, being subject to the approval of the members, is placed for approval. This may be taken as intimation under Section 302 of the Companies Act, 1956.

For details of Mr. Praveen K Gupta's qualifications and experience, please refer to Item No. 5 of the Explanatory Statement in this Notice. Mr. Praveen K Gupta is not a Director in any other Company.

MEMORANDUM OF INTEREST

Mr. Praveen K Gupta is interested in the resolution to the extent specified therein.

No other Director of the Company is concerned or interested in the resolution.

Item No. 7

Mr. Zubair Ahmed was appointed as the Managing Director of the Company w.e.f. January 1, 2007 for a period of five years, pursuant to a notice dated December 14, 2006 received from Horlicks Limited under Article 97A of the Articles of Association of the Company. The remuneration payable to Mr. Zubair Ahmed was approved by the shareholders in the Annual General Meeting held on April 27, 2007. The maximum ceiling of Basic salary and allowances payable to Zubair Ahmed is being revised to keep it in line with the current situation in the industry and to adequately compensate him for the increased job responsibilities in view of the fast expanding business activities of the Company. This revised remuneration payable to Mr. Zubair Ahmed is being placed for the approval of the members. This may be taken as intimation under Section 302 of the Companies Act, 1956.

MEMORANDUM OF INTEREST

Mr. Zubair Ahmed is interested in the resolution to the extent specified therein.

No other Director of the Company is concerned or interested in the resolution.

Notes:

1. The Register of Members of the Company will remain closed from April 13, 2010 to April 23, 2010, both days inclusive.
2. Dividend on equity shares, as recommended by the Board for the year ended December 31, 2009, if declared at the meeting will be paid to all those Members whose names appears in the Company's Register of Members and to those persons whose names appear as beneficial owners (as per the details to be furnished by the Depositories in respect of the shares held in Dematerialised form) as at the close of business hours on April 12, 2010.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and on a poll only to vote instead of himself. Proxy need not be a Member of the Company. In order to be effective, Proxy Form (enclosed) duly completed, must be received at the Registered Office of the Company not less than 48 hours before the meeting.

4. In due compliance with the provisions of Section 205 A read with Section 205 C of Companies Act, 1956, the amount of unclaimed dividend for the period up to January 2003 (second interim dividend for the year ended December 31, 2002) has been transferred to the Investor Education and Protection Fund.

5. Members who wish to claim Dividends, which remain unclaimed, are advised to send their requests to Karvy Computershare Pvt. Ltd. (Karvy), Company's Registrars and Share Transfer Agents, at their office address at Plot No. 17-24 Vittal Rao Nagar, Near Image Hospital, Madhapur, Hyderabad - 500 081. Members are requested to note that the dividends not encashed or claimed within seven years will be transferred to the Investor Education and Protection Fund of Government of India in due compliance with the provisions of Section 205A (5) read with Section 205C of the Companies Act, 1956. Accordingly, members are advised to send all unencashed dividend warrants pertaining to these years for revalidation and encash them before the due dates.

Information in respect of such unclaimed Dividend when due for transfer to the Investor Education and Protection Fund is given below:

Details of Dividend & Percentage	Date of declaration	Last date of claiming unpaid Dividend
1st Interim (33%)	25.07.2003	24.07.2010
2nd Interim (37%)	10.12.2003	09.12.2010
1st Interim (33%)	23.07.2004	22.07.2011
2nd Interim (37%)	25.10.2004	24.10.2011
Interim (80%)	21.10.2005	20.10.2012
Interim (100%)	26.10.2006	25.10.2013
Interim (120%)	23.10.2007	22.10.2014
Interim (100%)	24.10.2008	23.11.2015
Final (50%)	24.04.2009	23.04.2016

6. Members holding shares in physical form are advised to submit particulars of their bank account viz. Name and address of the branch of the bank, MICR code of the branch, type of account and account number latest by April 10, 2009 to Karvy Computershare Pvt. Ltd. (Karvy), Plot No. 17-24 Vittal Rao Nagar, Near Image Hospital, Madhapur, Hyderabad - 500 081.
7. All requests for transfer, change of address, dividend mandate etc. may please be sent to Karvy Computershare Pvt. Ltd., Plot No. 17-24 Vittal Rao Nagar, Near Image Hospital, Madhapur, Hyderabad - 500 081. The Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their Depository Participant (DP). These changes will be automatically reflected in Karvy/ Company's records.
8. In an effort to improve the service level to our shareholders, the Company's Registrars viz. Karvy Computershare Pvt. Ltd., have launched an ONLINE SERVICE through their website, <http://karisma.karvy.com>, for redressal of shareholder's queries. Shareholders can visit the said website and click on "Investors" option to register themselves. Once registered, shareholder can submit the query in the "Queries" option provided on the website which would give the grievance registration number. For accessing the status / response to the said query, shareholder can use the same number at the option "View Reply" after 24 hours. Shareholders can put additional queries till they get a satisfactory response from Karvy.



GLAXOSMITHKLINE
CONSUMER HEALTHCARE LTD.

Chairman

Simon J. Scarff, O.B.E

Managing Director

Zubair Ahmed

Directors

Ashok Dayal

Kunal Kashyap

P. Dwarakanath

P. Murari (till 18 August, 2009)

Praveen K Gupta

Ramakrishnan Subramanian

(till 30 March 2009)

(re-nominated as Director w.e.f. 1 August 2009)

Subodh Bhargava

Company Secretary

Surinder Kumar

Bankers

Deutsche Bank

Citibank N.A.

Bank of America

The Hongkong & Shanghai Banking
Corporation Limited

BNP Paribas

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

Contents

Board of Directors, etc.	1
Financial Statistics	2
Financial Highlights	3
Directors' Report	4
Management Discussion & Analysis Report	9
Corporate Governance Report	12
CEO & CFO Certification	20
Auditor's Report	21
Balance Sheet	24
Profit & Loss Account	25
Cash Flow Statement	26
Schedule 1, 2	28
Schedule 3, 4	29
Schedule 5, 6, 7	30
Schedule 8, 9, 10	31
Schedule 11, 12, 13	32
Schedule 14, 15	33
Schedule 16	34
Balance Sheet Abstract & Company's General Business Profile	48



Financial Statistics

Ten Year Financial Statistics

(Rs. Lacs)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
SOURCES OF FUNDS											
Share Capital	45,38	45,38	45,38	45,38	45,38	45,38	42,06	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	8,63,04
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	9,05,10
BORROWINGS	20,00	55,00	75,66	-	-	-	-	-	-	-	-
FUNDS EMPLOYED	3,17,39	4,29,54	5,17,08	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10
DEFERRED TAX LIABILITIES			28,16	35,63	28,16	31,98	27,60	24,07	17,28	6,58	-
TOTAL	3,17,39	4,29,54	5,45,24	5,18,85	5,20,27	5,61,28	5,02,71	5,66,79	6,63,63	7,67,46	9,05,10

APPLICATION OF FUNDS

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	5,55,34	5,96,26
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	3,64,00
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	2,26,11	2,32,26
INVESTMENTS	29,00	0	0	0	0	0	0	2,19,68	2,97,83	0	0
DEFERRED TAX ASSET	-	-	-	-	-	-	-	-	-	-	11,01
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	1,17,291
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	3,12,01	5,11,09
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	5,41,35	6,61,82
MISCELLANEOUS EXPENDITURE	21,11	18,72	14,78	9,85	4,91	-	-	-	-	-	-
TOTAL APPLICATION	3,17,39	4,29,54	5,45,24	5,18,85	5,20,27	5,61,28	5,02,71	5,66,79	6,63,63	7,67,46	9,05,10

Ten Year Track Record

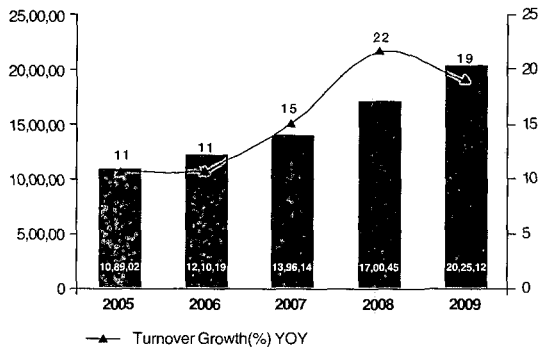
(Rs. Lacs)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	17,00,45	20,25,12
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	2,85,71	3,53,86
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	2,32,78
DIVIDEND PAYOUT	25,87	28,59	31,77	31,77	31,77	31,77	33,64	42,06	50,47	63,08	75,70
CORPORATE DIVIDEND TAX	2,84	6,29	3,24	-	4,07	4,15	4,72	5,90	8,58	10,72	12,87
RETAINED EARNINGS	68,90	77,14	91,62	53,24	40,51	37,24	68,79	78,98	1,03,63	1,14,53	1,44,22
DIVIDEND - %	57	63	70	70	70	70	80	100	120	150	180
EARNINGS PER SHARE (Rs.)	21.51	24.68	27.90	18.73	16.82	16.12	24.84	30.18	38.68	44.78	55.35
NUMBER OF SHARE HOLDERS	31,690	33,019	31,442	30,607	30,607	28,048	24,571	24,019	22,315	22,548	22,443

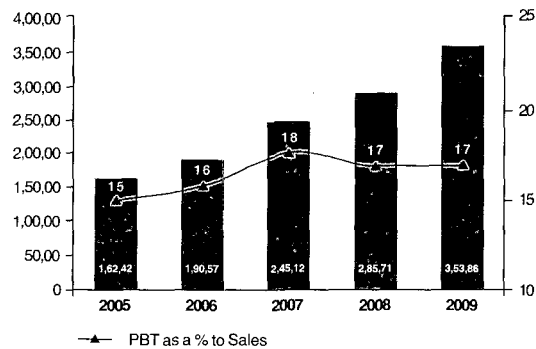


Financial Highlights

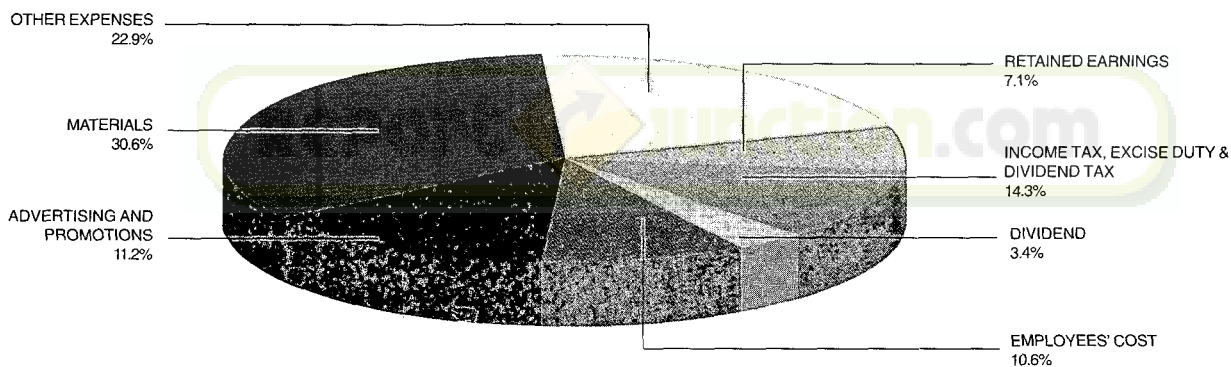
Turnover
(Rs. Lacs)



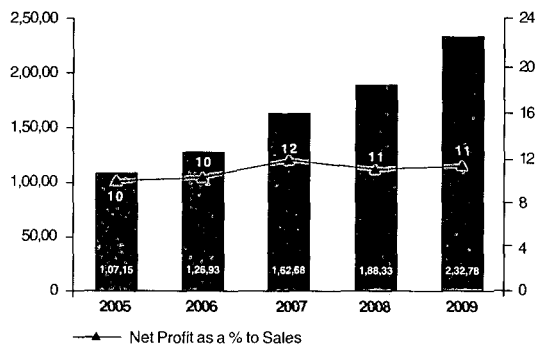
Profit Before Tax
(Rs. Lacs)



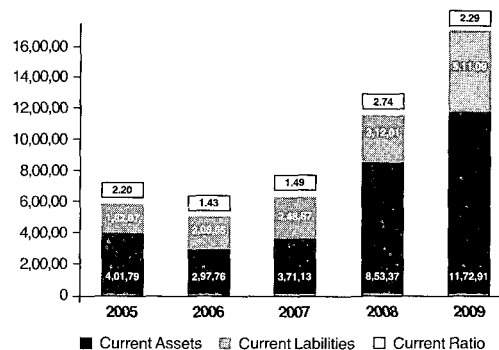
Utilization of Income 2009



Net Profit
(Rs. Lacs)



Current Ratio (Times)
(Rs. Lacs)





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 31 December 2009.

Financial Results

	(Rs. Lacs)	
	2009	2008
Sales (net of excise duty)	19,21,50.23	15,41,75.44
Profit before Depreciation, Amortisation and Tax	3,95,88.46	3,27,66.31
Less: Depreciation	37,41.81	37,34.34
Less: Amortisation of:		
- Patents and Trade Marks	4,60.62	4,60.62
Profit Before Tax	3,53,86.03	2,85,71.35
Less: Provision for Tax		
- Current Tax	1,39,50.00	1,00,80.00
- Deferred Tax	(17,59.61)	(10,69.61)
- Adjustment of Previous Years	(2,61.37)	1,62.73
- Fringe Benefit Tax	1,78.73	5,65.00
	<u>1,21,07.75</u>	<u>97,38.12</u>
Profit After Tax	2,32,78.28	1,88,33.23
Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.		
Appropriations		
Dividends	-	42,05.55
Proposed Final Dividend	75,70.00	21,02.78
Corporate Dividend Tax	12,86.52	10,72.09
Transferred to General Reserves	23,27.83	1,14,52.81
	<u>1,11,84.35</u>	<u>1,88,33.23</u>
Earnings Per Share (Rs.) (Basic & Diluted)	55.35	44.78

Performance of the Company

Your Company is pleased to report 24.6% sales growth and 23.6% PAT growth for 2009 over the previous year. It is heartening to note that there has been high double digit growth across all regions and all major brands. Your Company's strong performance has been led through significant investment in our brands, product innovation initiatives, expansion into new product categories and managing operating costs through cost efficiency measures.

Your Company continues to drive on excellence in execution both at the front end of sales operations and the back end of supply chain and functional processes, which have helped growth and margins. Your Company continues to strengthen its brand equities through innovation and appropriate levels of advertising and promotional spending.

2009 was a landmark year as your Company recorded sales of over Rs. 2000 crores. This has been possible with a consistent performance on base brands like Horlicks and Boost along with a series of new product launches. Base Horlicks which has been clinically tested to make children "Taller, Stronger & Sharper" posted a strong growth of 17.6%. Boost which was relaunched during the year with a clinically proven claim to increase stamina by three times recorded a growth of 16.2%.

Your Company has also launched a series of new products. Horlicks Nutribar, which is a nutritious snack was launched during the year. Horlicks Biscuits which was relaunched with a new strategy and packaging, has posted a growth of close to 28.0%. Your Company also launched ActiGrow under the GlaxoNutrition umbrella to tap into the fast growing specialist nutrition segment. Your Company has also entered the noodles segment with the launch of Horlicks Foodles – instant noodles with seasoning.

Top line growth continues to be supported by aggressive advertising and various sales and marketing initiatives. To meet consumer needs, your Company's growth strategy has been focused on augmenting the product portfolio by introducing innovative new products and expanding into new categories. In the annual survey of India's Most Trusted Brands conducted by the Economic Times, Horlicks made it to the elite top 6 in 2009. Brand Horlicks was top of the charts in the "beverage" category as India's Most Trusted beverage brand.

During the year consistent and significant investments have been made to increase direct distribution and improve the visibility of our brands. Front end distribution has been revamped resulting in the depth and width of distribution increasing significantly.

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.