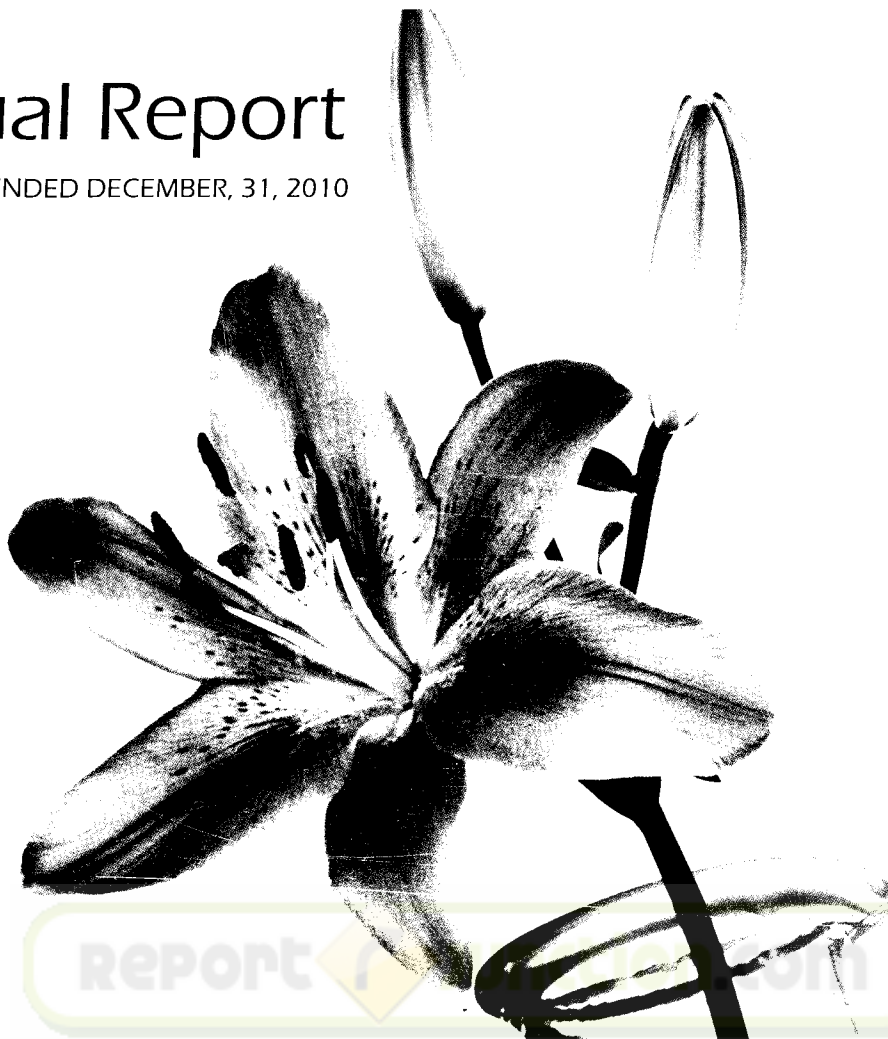


# Annual Report

FOR THE YEAR ENDED DECEMBER, 31, 2010

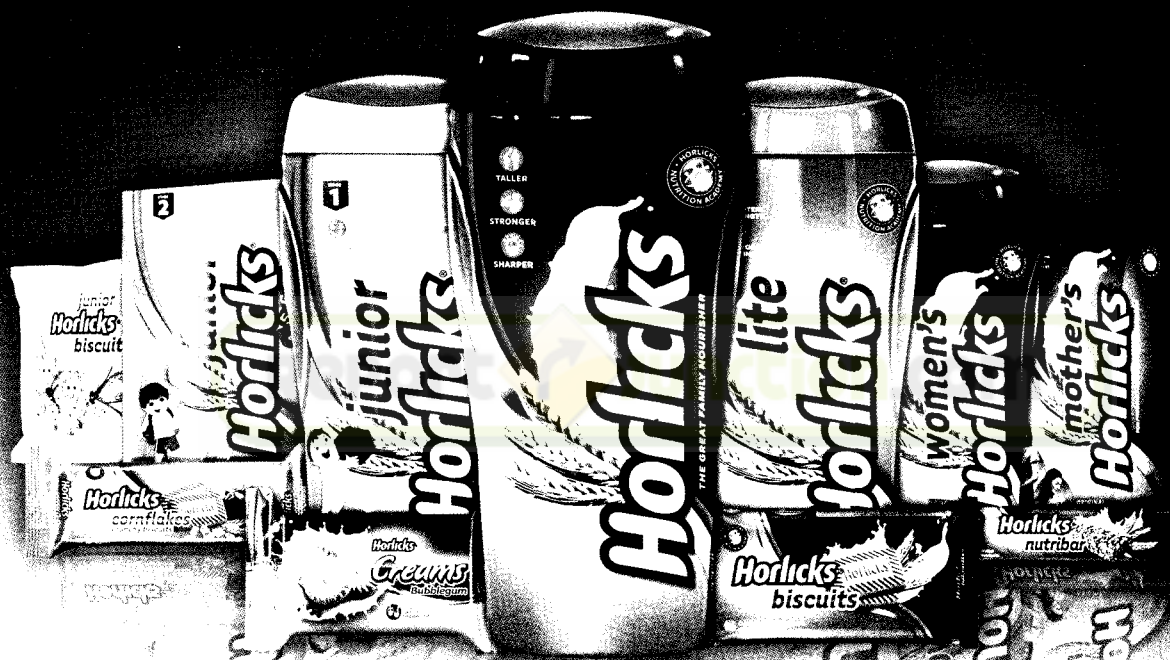


*Delivering Growth  
through Science  
driven Innovation*



GlaxoSmithKline

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED





GLAXOSMITHKLINE  
CONSUMER HEALTHCARE LTD.

#### **Chairman**

Simon J. Scarff, O.B.E

#### **Managing Director**

Zubair Ahmed

#### **Directors**

Ashok Dayal (till 23.04.10)

Kunal Kashyap

Mukesh H. Butani (w.e.f. 23.04.10)

Naresh Dayal (w.e.f. 23.04.10)

P. Dwarakanath

Praveen K. Gupta

Ramakrishnan Subramanian

Subodh Bhargava

#### **Company Secretary**

Surinder Kumar

#### **Bankers**

Deutsche Bank

Citibank N.A.

Bank of America

BNP Paribas

State Bank of India

HDFC Bank Limited

The Hongkong & Shanghai Banking  
Corporation Limited

#### **Auditors**

Price Waterhouse

#### **Registered Office**

Patiala Road, Nabha 147 201 (Punjab)

#### **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

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# Financial Statistics

## Ten Year Financial Statistics

(Rs. Lacs)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>SOURCES OF FUNDS</b>										
Share Capital	45,38	45,38	45,38	45,38	42,06	42,06	42,06	42,06	42,06	42,06
Reserves & Surplus	3,96,04	4,37,84	4,46,73	4,83,92	4,33,05	5,00,66	6,04,29	7,18,82	8,63,04	9,17,98
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>4,41,42</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>	<b>9,05,10</b>	<b>9,60,04</b>
BORROWINGS	75,66	-	-	-	-	-	-	-	-	-
<b>FUNDS EMPLOYED</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>	<b>9,05,10</b>	<b>9,60,04</b>
DEFERRED TAX LIABILITIES	28,16	35,63	28,16	31,98	27,60	24,06	17,28	6,58	-	-
<b>TOTAL</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>5,66,78</b>	<b>6,63,63</b>	<b>7,67,46</b>	<b>9,05,10</b>	<b>9,60,04</b>
<b>APPLICATION OF FUNDS</b>										
Gross Fixed Assets	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	7,07,29
Depreciation	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	3,96,71
<b>NET FIXED ASSETS</b>	<b>4,12,35</b>	<b>3,92,86</b>	<b>3,29,91</b>	<b>3,07,39</b>	<b>2,83,79</b>	<b>2,57,89</b>	<b>2,43,34</b>	<b>2,26,10</b>	<b>2,32,26</b>	<b>3,10,58</b>
INVESTMENTS	-	-	-	-	-	2,19,68	2,97,83	-	-	-
DEFERRED TAX ASSET	-	-	-	-	-	-	-	-	11,01	26,73
Gross Current Assets, Loans and Advances	2,98,15	2,93,43	3,63,02	4,32,20	4,01,79	2,97,76	3,71,13	8,53,37	11,72,91	1,42,313
Current Liabilities & Provisions	1,80,04	1,77,28	1,77,57	1,78,31	1,82,87	2,08,55	2,48,67	3,12,01	5,11,08	8,00,40
<b>NET CURRENT ASSETS</b>	<b>1,18,11</b>	<b>1,16,15</b>	<b>1,85,45</b>	<b>2,53,89</b>	<b>2,18,92</b>	<b>89,21</b>	<b>1,22,46</b>	<b>5,41,36</b>	<b>6,61,83</b>	<b>6,22,73</b>
MISCELLANEOUS EXPENDITURE	14,78	9,84	4,91	-	-	-	-	-	-	-
<b>TOTAL APPLICATION</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>5,66,78</b>	<b>6,63,63</b>	<b>7,67,46</b>	<b>9,05,10</b>	<b>9,60,04</b>

## Ten Year Track Record

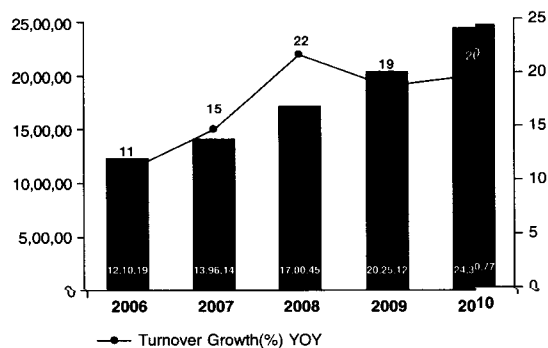
(Rs. Lacs)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>TURNOVER</b>	<b>9,92,14</b>	<b>8,71,06</b>	<b>9,08,95</b>	<b>9,81,72</b>	<b>10,89,02</b>	<b>12,10,19</b>	<b>13,96,14</b>	<b>17,00,45</b>	<b>20,25,12</b>	<b>24,30,77</b>
<b>PROFIT BEFORE TAX</b>	<b>1,93,96</b>	<b>1,26,71</b>	<b>99,58</b>	<b>1,15,68</b>	<b>1,62,42</b>	<b>1,90,57</b>	<b>2,45,12</b>	<b>2,85,71</b>	<b>3,53,86</b>	<b>4,51,80</b>
<b>NET PROFIT</b>	<b>1,26,63</b>	<b>85,01</b>	<b>76,35</b>	<b>73,16</b>	<b>1,07,15</b>	<b>1,26,93</b>	<b>1,62,68</b>	<b>1,88,33</b>	<b>2,32,78</b>	<b>2,99,85</b>
<b>DIVIDEND PAYOUT</b>	<b>31,77</b>	<b>31,77</b>	<b>31,77</b>	<b>31,77</b>	<b>33,64</b>	<b>42,06</b>	<b>50,47</b>	<b>63,08</b>	<b>75,70</b>	<b>2,10,28</b>
<b>CORPORATE DIVIDEND TAX</b>	<b>3,24</b>	<b>-</b>	<b>4,07</b>	<b>4,15</b>	<b>4,72</b>	<b>5,90</b>	<b>8,58</b>	<b>10,72</b>	<b>12,87</b>	<b>34,92</b>
<b>RETAINED EARNINGS</b>	<b>91,62</b>	<b>53,24</b>	<b>40,51</b>	<b>37,24</b>	<b>68,79</b>	<b>78,98</b>	<b>1,03,63</b>	<b>1,14,53</b>	<b>1,44,22</b>	<b>54,65</b>
<b>DIVIDEND - %</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>80</b>	<b>100</b>	<b>120</b>	<b>150</b>	<b>180</b>	<b>500</b>
<b>EARNINGS PER SHARE (Rs.)</b>	<b>27.90</b>	<b>18.73</b>	<b>16.82</b>	<b>16.12</b>	<b>24.84</b>	<b>30.18</b>	<b>38.68</b>	<b>44.78</b>	<b>55.35</b>	<b>71.30</b>
<b>NUMBER OF SHARE HOLDERS</b>	<b>31,442</b>	<b>30,607</b>	<b>30,607</b>	<b>28,048</b>	<b>24,571</b>	<b>24,019</b>	<b>22,315</b>	<b>22,548</b>	<b>22,443</b>	<b>22,867</b>

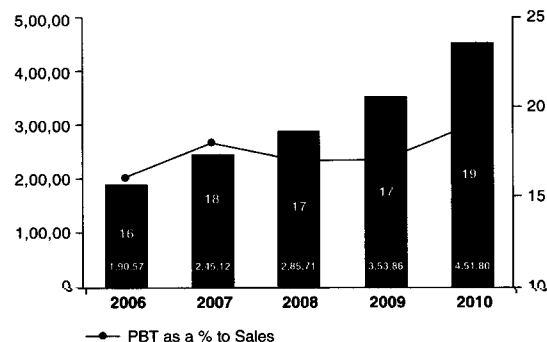


# Financial Highlights

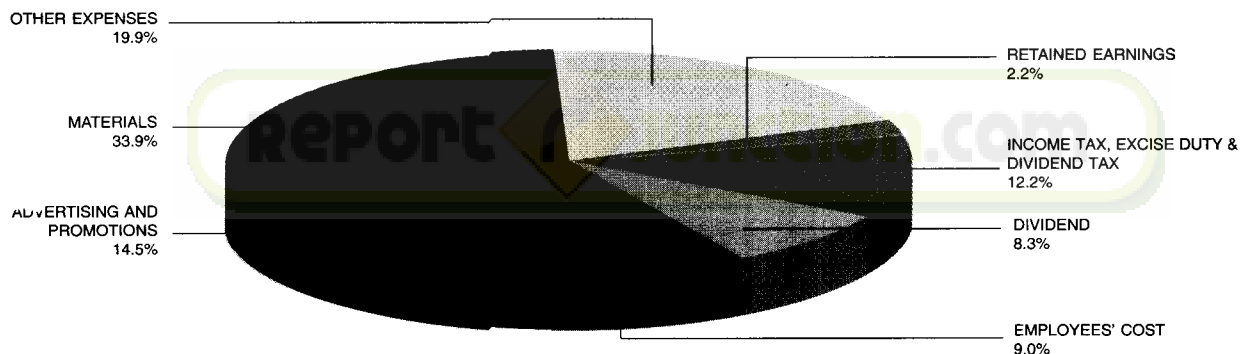
**Turnover**  
(Rs. Lacs)



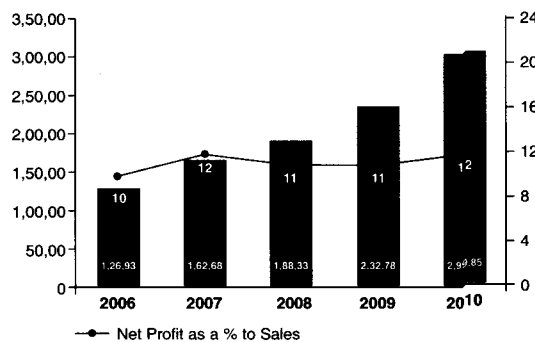
**Profit Before Tax**  
(Rs. Lacs)



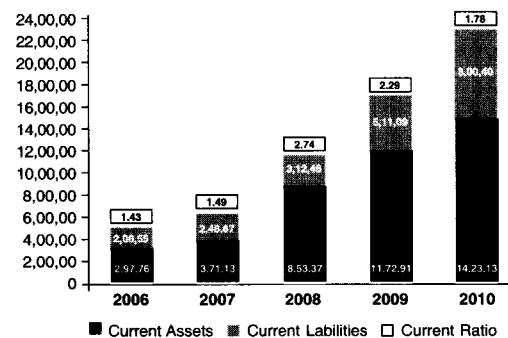
**Utilization of Income 2010**



**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 2010.

### Financial Results

	(Rs. Lacs)	
	2010	2009
Sales		
(net of excise duty)	<b>23,06,11.83</b>	19,21,50.23
Profit before Depreciation, Amortisation and Tax	<b>4,91,51.39</b>	3,95,88.46
Less: Depreciation	<b>39,32.56</b>	37,41.81
Less: Amortisation of Patents and Trade Marks	<b>38.38</b>	4,60.62
<b>Profit Before Tax</b>	<b>4,51,80.45</b>	<b>3,53,86.03</b>
Less: Provision for Tax		
- Current Tax	<b>1,67,97.00</b>	1,39,50.00
- Deferred Tax	<b>(15,72.30)</b>	(17,59.61)
- Adjustment of Previous Years	<b>(29.49)</b>	(2,61.37)
- Fringe Benefit Tax	<b>0.00</b>	1,78.73
	<b>1,51,95.21</b>	1,21,07.75
<b>Profit After Tax</b>	<b>2,99,85.24</b>	<b>2,32,78.28</b>
Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.		
<b>Appropriations</b>		
Proposed Final Dividend	<b>2,10,27.77</b>	75,70.00
Corporate Dividend Tax	<b>34,92.45</b>	12,86.52
Transferred to General Reserves	<b>29,98.52</b>	23,27.83
	<b>2,75,18.74</b>	1,11,84.35
Earnings Per Share (Rs.)		
(Basic & Diluted)	<b>71.30</b>	55.35

### Performance of the Company

Your Company has delivered another year of profitable growth by recording 20.0% increase in sales and 28.8% increase in PAT over the previous year. Continued focus on product innovation & expansion into new categories, strengthening of the distribution network, continued investment in brand building, strategic cost management and working capital management have helped your Company achieve this profitable growth.

The year witnessed robust performance of your Company's key brands - Horlicks and Boost, both of which saw strong double digit growth. Horlicks registered a growth of 18.6%

during the year 2010 with all variants of Horlicks registering a double digit growth. The year 2010 saw a re-launch of the Horlicks brand with a changed brand identity and re-designed packaging aimed to bring about a unified new look in all the products under the Horlicks portfolio. The packaging is quite contemporary and has been designed keeping in mind the changing needs of the consumer. Your Company also continued to make significant advertising & promotion spends for the brand. Your Company had several successful campaigns during the year including one to increase consumption during examinations. The year also saw the launch of Junior Horlicks 4, 5 & 6 and Badam Masti which were well received by the consumer.

With a growth of 24.3% in 2010, Boost has witnessed one of the best years in terms of sales growth as well as distribution. Boost which is now backed by a clinically proven claim saw an improvement in its market share. Your Company also launched a new variant in the Northern / Western part of India with the intent of delivering a great new taste as per the preference of consumers.

Your Company continues to do well in the Biscuits category with a double digit growth in the existing portfolio and successful new product launches. Your Company launched Horlicks Cream Biscuits in 3 flavours and Horlicks Cookies. The initial response to these launches has been very encouraging.

Foodles, which was launched in South India last year has performed exceedingly well in 2010. It was also extended to East in March 2010 and North & West in July 2010. Foodles recorded sales of Rs. 32,35 Lacs during 2010.

The year also witnessed the launch of Lucozade Sport - Isotonic Sports Drink, which marks your Company's entry into the Rs. 1.5 billion energy drink market of India. Lucozade is a scientifically formulated drink that is backed by years of research and enjoys the approval of several independent authorities. Through the launch of Lucozade, your Company has made strong inroads into a nascent and fast growing category in India.

Your company has taken several initiatives to reduce operating costs in the business and maintain efficient working capital levels. This has helped your Company increase its EBIT by 22% during 2010 in spite of the inflationary pressures on the commodity front and higher advertising & promotion spends towards brand building. Your Company has also managed to significantly increase the yield on cash surpluses. The year also witnessed setting up of the shared service center for transaction processing, resulting in simplification of financial processes within the Company.

Your Company has also setup a new supply chain function with integrated demand & supply management, logistics management and customer service as its focus areas. This has resulted in simplification of the planning process, inventory reduction and freight optimisation.





In order to respond to the growing demand, your Company has launched a project to enhance capacity which is expected to be completed by 2012. This will increase the capacity at Sonapat plant by 16 - 18 thousand tones p.a. and service the increased demand for your Company's products. This project entails introduction of new technology which involves extensive automation and controls. The expected cost of this project is Rs. 219 Crores, of which your Company has spent approximately Rs. 68 crores till 31 December 2010

## Dividends

The Directors recommend a dividend of Rs. 50 (including a special dividend of Rs. 25) per equity share of Rs. 10 each for the financial year ended 31 December 2010, to celebrate the Golden Jubilee of your Company. If approved by the Members at the ensuing Annual General Meeting to be held on 29 March 2011, it will be paid on or before 11 April 2011 to those Members whose names appear 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 14 March 2011.

## Reserves

The total Reserves as on December 31, 2010 stood at Rs. 9,17,98.32 Lacs representing an increase of 6.4% from last year.

## Exports

During the year the Company's export earnings amounted to Rs. 1,76,44.89 Lacs representing an increase of 13.5% over the previous year. In 2010, your Company started exporting to Nigeria and Kenya. The other main markets where your Company continues to export are Bangladesh, Myanmar, Malaysia, Sri Lanka, Middle East, Nepal and Bhutan.

## Research and Development

The Research & Development (R&D) function played a significant role in your Company achieving its aspiration for profitable growth in 2010. The R&D function contributed through its efforts on new product innovations, superior claims development and cost savings initiatives.

During the year the R&D function has adopted Open Innovation methodology, a platform for technology and innovation enhancement through use of internal as well as external ideas through external partnering. The Open Innovation team has already made great strides. Several successful external leads are being pursued across new product formats and high-science ingredients, which will help fast-track and deliver higher value innovations over the next couple of years.

The R&D function continues its focus on building a strong claims pipeline and having a robust regulatory strategy in place to support the innovation programme. The Regulatory Affairs team has been closely engaging with Regulators and Key Opinion Leaders in the Indian Government and actively partnering in the development of the new Food Safety and Standard Authority of India (FSSAI) regulations.

R&D efforts were recognised by several internal and external awards and recognitions. The most significant being the 4 India Star Awards and an award each in Asia Star and World Star for excellence in packaging development.

## ISO Certification

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonapat continue to be certified to the latest version of ISO 9001: 2008, ISO 22000: 2005, ISO 14001: 2004, OHSAS 18001: 2007 by SGS, a leading International Certification Company. 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 facilitated implementation of 'Shared Services Center' for financial processes. The Company has implemented robust supply chain planning solution and is stepping further to strengthen its sales force with latest technology.

## 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

At the Annual General Meeting held on April 23, 2010, six Directors were elected under the system of proportional representation. Mr. Kunal Kashyap, Mr. P Dwarakanath, Mr. Praveen K Gupta and Mr. Subodh Bhargava were re-elected as Directors of the Company and Mr. Naresh Dayal and Mr. Mukesh H Butani were the newly elected Directors of the Company.

Mr. Ashok Dayal ceased to be the Director of the Company upon conclusion of the Annual General Meeting held on April 23, 2010. The Board of Directors wish to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Ashok Dayal during his tenure as Director.

## 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

Leadership Development & Talent Management remain key focus areas of the management. Workshops on 'Energy for Performance' were conducted for senior leadership to enable them to create & sustain high levels of energy & enthusiasm for effective performance, both at an individual and organisational level. A highly experiential intervention on Project Leadership Skills was conducted for cross-functional teams. The year also saw managers across levels & functions go through structured interventions on Change Management and Personal Effectiveness & Development. The Nabha Wage Settlement was concluded successfully & harmonious industrial relations continued at all the units throughout the Company.

## Environment and Social Commitment

Your Company's quest to improve the quality of human life has always been supported by its Community Investment programmes and through the Community Partnership function.

The year started with Nabha donating clothes at GOONJ's Jalandhar Centre as part of 'Vastradaan Mahayaga' (clothes donation - supreme holy ceremony). The site also organised medical checkups for students and provided them with medicines. The students were also given information on communicable diseases. Among other activities, Nabha donated several educational and classroom teaching aids to a school for physically and mentally challenged kids along with organising 'Hand Wash Day' to educate Nabha school children on personal hygiene.

The Sonapat site helped in spreading awareness about tuberculosis and its adverse impact amongst students from a Government School. There was a 'Know Tuberculosis' awareness session and quiz, followed by distributing nutritional food among TB patients. The team also kicked off an initiative titled 'Protect Tomorrow-Towards a Safe & Green Future'. It included interactive sessions on Environment Management, Safety and Energy Conservation. The site also sponsored girl child education programmes.

Rajahmundry was actively involved in a number of activities for the entire year. The Rajahmundry team and nursing college students participated in a rally to create tuberculosis awareness on World TB Day. The team also distributed food, Horlicks, Horlicks biscuits and supplementary medication for TB patients at the Government Primary Health Centre. The team also supported the medical camp for residents of Industrial Estate in Dowlaiswaram and the renovation of an

Old Age Home. Other programmes included scholarships for students at various stages of education, nutritional support to PLHIV/AIDS affected patients, Little Hearts programme and Basic Life Support Classes on International Guidelines for Public and Health Workers.

Your Company strives to improve the quality of life and partnering with the society to improve, rebuild and create awareness about important social issues through Orange Day events. These events are led, implemented and managed by your Company's employees, thus taking forward your Company's philosophy of developing self and others. The Company also supported numerous Community Partnership Projects in the sphere of children's education and healthcare, support to the homeless, education and empowerment of tribal children, sustaining healthcare and livelihoods of the tribal community across the country.

## 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  
Chairman

Zubair Ahmed  
Managing Director

R Subramanian  
Kunal Kashyap  
Directors

Place : Gurgaon

Dated : 2 February 2011





## Annexure to the Directors' Report 2010

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

- Rajahmundry factory has won the 1st Prize at National Energy Conservation Award 2010, amongst the food industry sector, consecutively for the second time.
- Sonepat factory has won the GSK - Global Manufacturing & Supply Energy Trophy and the Sonepat Energy Management System was audited successfully by Carbon Trust UK which played a key role in GSK to achieve the first global certification for our efforts in reducing our climate change impact from the Carbon Trust.
- Various energy saving initiatives and projects, implemented across the sites during the year have resulted in the reduction of overall energy consumption per ton of production.

#### A. CONSERVATION OF ENERGY

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

###### 1. Steam

The energy conservation initiatives program such as installation of Fluidised Bed Combustion (FBC) boiler/ Forced Circulation Evaporator at Nabha, improvement in condensate recovery/full year utilisation of new technology for evaporation (i.e. Multiple Effect Evaporator) at Rajahmundry, installation of GEM steam traps along with FBC boiler combustion automation at Sonepat and improvement in thermal insulations & process efficiencies being driven at all sites as part of Operational Excellence program have resulted in reduction in coal consumption per ton of production by 1.6%.

###### 2. Electricity

The energy conservation initiatives such as installation of Centralised AC Plant for 9L manufacturing unit, Hot wheel recovery, energy efficient pumps & bearings, replacement of conventional lights with LED lights at Nabha; installation of Jet Cooling Tower, LED Tube lights, CFL lamps, Timer controls on Lighting, improved efficiencies at ETP and optimisation of Turbine loading at Rajahmundry; Optimising motor sizing and pump rationalisation at Sonepat; and optimisation of equipment operations & controls through Variable Frequency Drives across all sites have resulted in reduction in electricity consumption per ton of production as compared to last year by 5.3%.

##### (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 Refrigeration and Dehumidification project at Sonepat, 2nd Multiple Effect Evaporator and LED lights at Rajahmundry, 66 KV substation and LED lights at Nabha. All sites are exploring the feasibility of using Waste Rice Husk (Bio Mass) in place of coal along with High Pressure boiler and steam turbine to generate power and steam to reduce carbon foot printing across Primary Manufacturing sites. As a part of renewable energy initiatives Rajahmundry has implemented natural sun lighting in buildings and Solar Air Conditioners.

##### (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 significant savings in energy consumptions per ton has minimised the adverse impact from higher volumes at energy intensive plant and higher inflation on fuel and grid costs.

##### 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"

	2010	2009
<b>A. Power and Fuel Consumption</b>		
<b>1. Electricity</b>		
a) Purchased Units (in Lacs)	3,39.27	3,01.53
Total amount (Rs. Lacs)	17,29.43	14,50.58
Rate/Unit (Rs.)	5.10	4.81
b) Own Generation-		
1) DG Sets Units (in Lacs)	45.27	51.43
Units per litre of Diesel oil	3.45	3.38
Cost/Unit (Rs.)	10.27	9.05
2) Turbine Units (in Lacs) *	18.75	20.61
<b>2. Coal Used in Boilers</b>		
Quality (Calorific value ranging between 2500 to 3500 BTU) Quantity (Tonnes)*	46,852	42,045
Total Cost (Rs. Lacs)	21,36.02	18,81.88
Average Rate (Rs.)	45,59.11	44,75.88

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

	2010		2009	
	Coal MT	Power Units	Coal MT	Power Units
<b>B. Consumption per unit of Production:</b>				
1. Malt Based Food / Energy and Protein Health Food / Cereal Based Food / Powdered Milk (Per Ton)	0.53	455	0.54	479
2. Ghee & Butter (Per Ton)	0.29	137	0.27	149

## B. TECHNOLOGY ABSORPTION

### RESEARCH & DEVELOPMENT (R&D)

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

R&D's thrust areas were new product development, both re-launching existing products as well as launching entirely new categories, new claims development and novel packaging development. Further, there was significant emphasis for delivery of cost savings and enabling regulatory clearances besides ensuring regulatory compliance. Activities were also carried out in further bolstering the innovation pipeline.

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

New product launches, re-launches, novel claims and new packaging have collectively enabled the business to sustain a high growth rate and end the year with a good innovation pipeline, setting the platform for new launches into the following year. The cost savings generated were ploughed back and will help in promoting new & existing products.

#### (3) Further Plan of Action

Key focus for R&D will be to develop & launch new products which are differentiated through science, packaging and product experience to enable high growth rate. Open innovation would be further leveraged to help accelerate innovation delivery and in building longer term pipelines. A strong cost innovation pipeline is in place to continue the delivery of savings.

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

*(Rs. Lacs)*

	2010	2009
a) Capital	69.07	60.15
b) Recurring	22,25.03	22,73.86
<b>Total</b>	<b>22,94.10</b>	<b>23,34.01</b>
R&D Expenditure as a percentage of turnover	0.9%	1.2%

### 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, Malaysia, Middle East, Nigeria and Kenya. 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)*

	2010	2009
Foreign Exchange Earnings	1,34,51.16	1,22,48.52
Foreign Exchange Outgo	35,86.40	6,45.48

#### 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, 2010 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  
Kunal Kashyap  
Directors

Place : Gurgaon

Dated : 2 February 2011