



Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2011



Striving to make People's lives healthier



GlaxoSmithKline

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED





GLAXOSMITHKLINE
CONSUMER HEALTHCARE LTD.

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Chairman

Simon J. Scarff, O.B.E

Managing Director

Zubair Ahmed

Directors

Kunal Kashyap

Mukesh H. Butani

Naresh Dayal

P. Dwarakanath

Praveen K. Gupta

Ramakrishnan Subramanian

Subodh Bhargava

Company Secretary

Surinder Kumar

Bankers

Deutsche Bank

Citibank N.A.

BNP Paribas

State Bank of India

HDFC Bank Limited

The Hongkong & Shanghai Banking
Corporation Limited

Dena Bank

ICICI Bank Limited

State Bank of Patiala

Andhra Bank

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

Financial Statistics

Ten Year Financial Statistics

(Rs. Lacs)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SOURCES OF FUNDS										
Share Capital	45,38	45,38	45,38	42,06	42,06	42,06	42,06	42,06	42,06	42,06
Reserves & Surplus	4,37,84	4,46,73	4,83,92	4,33,06	5,00,66	6,04,29	7,18,82	8,63,04	9,17,98	11,02,12
TOTAL SHAREHOLDERS' FUNDS	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04	11,44,18
FUNDS EMPLOYED	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04	11,44,18
DEFERRED TAX LIABILITIES	35,63	28,16	31,98	27,60	24,06	17,28	6,58	-	-	-
TOTAL	5,18,85	5,20,27	5,61,28	5,02,71	5,66,78	6,63,63	7,67,46	9,05,10	9,60,04	11,44,18
APPLICATION OF FUNDS										
Gross Fixed Assets	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	8,07,73
Depreciation	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	4,35,97
NET FIXED ASSETS	3,92,86	3,29,91	3,07,39	2,83,79	2,57,89	2,43,34	2,26,10	2,32,26	3,10,58	3,71,76
INVESTMENTS	-	-	-	-	2,19,68	2,97,83	0.05	0.05	0.05	-
DEFERRED TAX ASSET	-	-	-	-	-	-	-	11,01	26,73	39,89
Gross Current Assets, Loans and Advances	2,93,43	3,63,02	4,32,20	4,01,79	2,97,76	3,71,13	8,53,37	11,72,91	14,23,13	16,70,09
Current Liabilities & Provisions	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	9,37,56
NET CURRENT ASSETS	1,16,15	1,85,45	2,53,89	2,18,92	89,21	1,22,46	5,41,36	6,61,83	6,22,73	7,32,53
MISCELLANEOUS EXPENDITURE	9,84	4,91	-	-	-	-	-	-	-	-
TOTAL APPLICATION	5,18,85	5,20,27	5,61,28	5,02,71	5,66,78	6,63,63	7,67,46	9,05,10	9,60,04	11,44,18

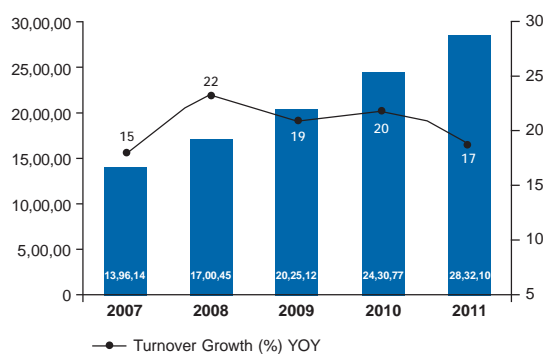
Ten Year Track Record

(Rs. Lacs)

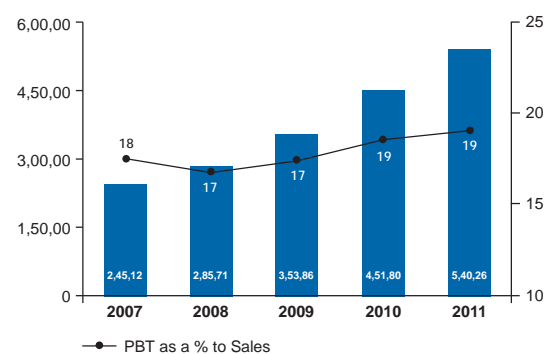
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
TURNOVER	8,71,06	9,08,95	9,81,72	10,89,02	12,10,19	13,96,14	17,00,45	20,25,12	24,30,77	28,32,10
PROFIT BEFORE TAX	1,26,71	99,58	1,15,68	1,62,42	1,90,57	2,45,12	2,85,71	3,53,86	4,51,80	5,40,26
NET PROFIT	85,01	76,35	73,16	1,07,15	1,26,93	1,62,68	1,88,33	2,32,78	2,99,85	3,55,21
DIVIDEND PAYOUT	31,77	31,77	31,77	33,64	42,06	50,47	63,08	75,70	2,10,28	1,47,19
CORPORATE DIVIDEND TAX	-	4,07	4,15	4,72	5,90	8,58	10,72	12,87	34,92	23,88
RETAINED EARNINGS	53,24	40,51	37,24	68,79	78,98	1,03,63	1,14,53	1,44,22	54,65	1,84,13
DIVIDEND - %	70	70	70	80	100	120	150	180	500	350
EARNINGS PER SHARE (Rs.)	18.73	16.82	16.12	24.84	30.18	38.68	44.78	55.35	71.30	84.46
NUMBER OF SHARE HOLDERS	30,607	30,607	28,048	24,571	24,019	22,315	22,548	22,443	22,867	25,639

Financial Highlights

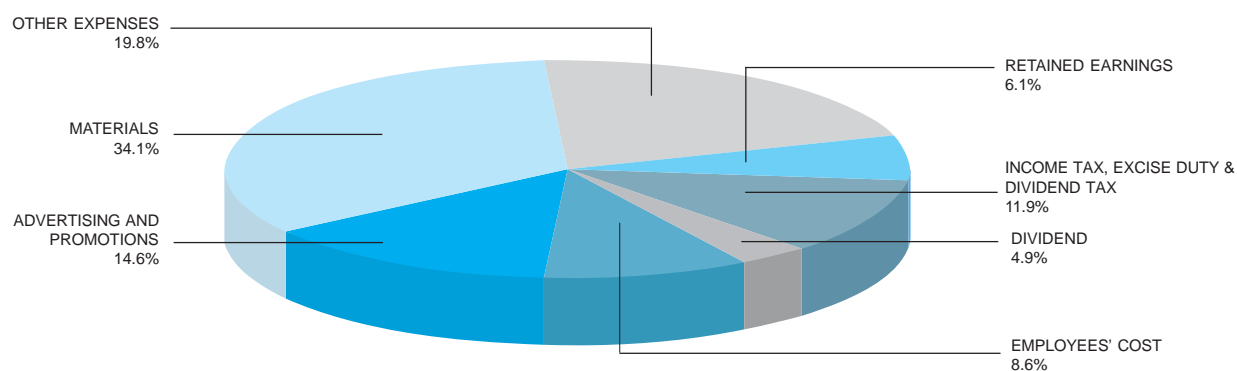
Turnover
(Rs. Lacs)



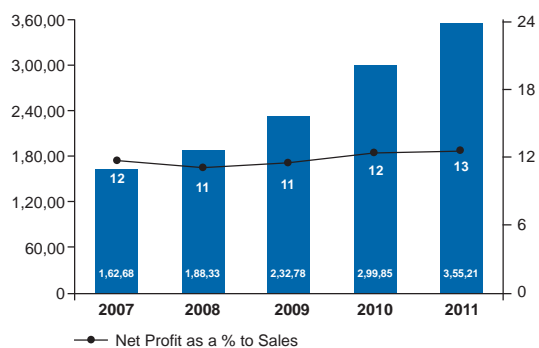
Profit Before Tax
(Rs. Lacs)



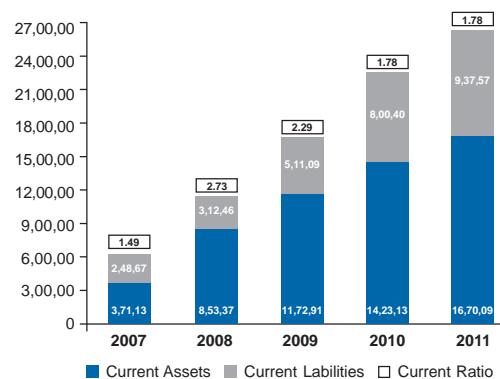
Utilization of Income 2011



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 December 31, 2011.

Financial Results

	(Rs. Lacs)	
	2011	2010
Sales (net of excise duty)	26,85,50.60	23,06,11.83
Profit before Depreciation, Amortisation and Tax	5,86,23.69	4,91,51.39
Less: Depreciation	45,97.56	39,32.56
Less: Amortisation of Patents and Trade Marks	0.00	38.38
Profit Before Tax	5,40,26.13	4,51,80.45
Less: Provision for Tax		
- Current Tax	1,91,56.00	1,67,97.00
- Deferred Tax	(13,15.51)	(15,72.30)
- Adjustment of Previous Years	6,64.95	(29.49)
	1,85,05.44	1,51,95.21
Profit After Tax	3,55,20.69	2,99,85.24
Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.		
Appropriations		
Proposed Final Dividend	1,47,19.44	2,10,27.77
Corporate Dividend Tax	23,87.86	34,92.45
Transferred to General Reserves	35,52.07	29,98.52
	2,06,59.37	2,75,18.74
Earnings Per Share (Rs.) (Basic & Diluted)	84.46	71.30

Performance of the Company

Your Company recorded 16.5% increase in sales and 18.5% increase in PAT during 2011 over the previous year and this resulted in doubling of your Company's turnover and PAT during the 4 year period from 2007 to 2011. Your Company has now achieved consistent double digit profitable growth for the seventh year in a row. This was achieved on the back of a fantastic performance of your Company's base brands which were very well complemented by the foods portfolio launched in line with the strategy to broad base your Company's product portfolio.

It was yet another year of strong performance by your Company's key brands - Horlicks and Boost, both of which saw strong double digit growth. Horlicks registered a growth of 17.8% during the year 2011 with all variants of Horlicks registering double digit growth. After an illustrious 100 year journey of the Mega Brand, Horlicks, your Company added the best ever Horlicks, Horlicks Gold to its portfolio. Horlicks Gold is available in 2 variants, Golden Malt and Chocolate Delight and is a superior product both, in terms of taste and nutrition. It is made using premium ingredients and superior processes and offers Double Action Nutrition through a package of 20 vital nutrients that are clinically proven to make children Taller, Stronger and Sharper along with 6

extra micro-nutrients (B-vitamins and minerals) that also provide energy and stamina. Your Company diversified the Horlicks brand a few years back with the launch of the Horlicks extensions range, which are custom made for specific target groups. The Horlicks extensions range has done exceedingly well having expanded your Company's customer base and adding incremental market shares to the Horlicks brand. Sales of the Horlicks Mega Brand crossed the Rs. 2000 Crores threshold during the year.

Boost recorded yet another year of double digit growth. The new variant launched in 2010 to suit the taste of customers in North and West India has been accepted very well by the consumer. This year also marked the restage of Boost with new best in class packaging, exciting consumer connections and the new improved claim to heighten competitiveness.

The Foods portfolio has delivered yet another year of high double digit growth, thus supporting the strategy to broad base your Company's product portfolio. The biscuits portfolio performed exceptionally well recording a 30% growth. It has the trusted nourishment of Horlicks in every biscuit which makes it stand apart from the others, as it combines an enjoyable consumption experience with a nutritional edge. Your Company also entered into the breakfast market in India with the launch of Horlicks Oats, thereby adding another category to its growing Foods portfolio. Designed as a healthy breakfast option for today's fast-paced life, Horlicks Oats comes with the '3 Way Health Advantage' - it helps manage weight, healthy blood pressure and reduce cholesterol. Your Company's entry into this category is in line with its commitment to providing the right solutions to the consumers for their changing lifestyle & their nutrition needs.

The year 2011 witnessed severe headline and food inflation. Your Company continued delivering on the cost management program through several initiatives to reduce operating costs across the value chain. Further, despite the stringent monetary policy and tight liquidity conditions throughout the year, your Company significantly improved its working capital position. The surplus cash generated through working capital improvement was placed in high interest yielding deposits thus enhancing your Company's profits. The cost optimization programs and improved yields on surplus cash have supported our investments in brand building through advertising & promotion. The marketing spends have been deployed very effectively to ensure a superior Return on Investment which reflects in various metrics for measuring advertising effectiveness. These initiatives have collectively helped your Company improve its Profit before Tax margins during 2011 in spite of the challenges in the external environment.

In order to respond to the growing demand, your Company had launched a project to enhance capacity by 16 - 18 thousand tones p.a. during 2010. The project is well on track and is expected to be completed in 2012. Your Company has spent Rs. 154 Crores till December 31, 2011; constituting 65% of the budgeted spend for the Project.

Dividends

The Directors recommend a total dividend of Rs. 35 per equity share of Rs. 10 each for the financial year ended December 31, 2011. If approved by the Members at the ensuing Annual General Meeting to be held on March 22, 2012, it will be paid on or before April 3, 2012 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 March 12, 2012.

Reserves

The total Reserves as on December 31, 2011 stood at Rs. 11,02,11.71 Lacs representing an increase of 20.1% from last year.

Exports

During the year, your Company's export earnings amounted to Rs. 2,35,35.17 Lacs, representing an increase of 33.4% over the previous year. The increase in exports was driven by higher exports to all the markets particularly Bangladesh and Middle East through specific initiatives to improve penetration of your Company's products. The other main markets where your Company continues to export are Sri Lanka, Nepal, Nigeria, Myanmar, Malaysia, and Bhutan.

Research and Development

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

The year 2011 saw several new launches and restages including the mega restage of the Boost. Some of the significant launches were Horlicks Gold and Horlicks Oats.

Your Company's R&D function has adopted various innovative techniques for the above delivery, the significant ones being Open Innovation and Packaging Innovation. The Open Innovation methodology adopted last year, has helped build a strong pipeline of products for the coming years, in the base business as well new product categories. Further, specific projects involving networking with subject matter experts have helped in generating new and innovative ideas to enhance consumption through product creativity in your Company's brands. The Packaging Innovation projects have helped your Company adopt latest technologies and advancements in packaging to enhance the 'first moment of truth' for your Company's products.

R&D also continued to play a pivotal role in delivery of cost savings by partnering with Procurement and other business functions for development of innovative raw and packaging materials, which contributed to significant cost savings delivered by your Company. Your Company was awarded the Gold trophy at the Plastics Awards in the category, 'Conservation of Energy, Material and Ecology'.

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. Regulatory Affairs team has been closely engaging with Regulators and Key opinion leaders in the Indian Government.

ISO Certification

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonepat 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. The Information Technology function has played the crucial role of a business facilitator having effectively

partnered with all other functions. During the year, your Company has completed a project to strengthen its Sales force catering to the traditional business across India with latest technology. Further effort is being put to strengthen the Rural Sales force and provide superior IT solutions for Distributor Management and Transportation Management.

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

Mr. Zubair Ahmed's term as Managing Director ended on December 31, 2011. The Board of Directors, at its meeting held on November 4, 2011, re-appointed Mr. Zubair Ahmed as Managing Director of the Company for a period of one year and five months i.e. from January 1, 2012 to May 31, 2013. The proposal is being placed before the shareholders for approval in their meeting on March 22, 2012.

There was no other 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

Your Company acknowledges the importance of people and the fact that Human Resource is the most important asset for long term success. Your Company strives to be known as a great place to work and an employer of choice for talented people from all backgrounds. Key focus areas for the Human Resources function are Talent Management, Training and Development, Living the GSK Values and Employee Engagement and Communication.

Talent Management: A proactive talent acquisition which includes engagement with the best Educational Institutes helps us acquire the best talent externally across functions and levels. Further, there are robust processes in place to ensure Succession Planning for all crucial positions and a Talent Review Process to identify and nurture Key Leadership Talent. Your Company also follows a Performance Development Planning process through which employees have business-aligned objectives and behavioural goals. The reward systems are geared to promote high performance and help to attract and retain the best people. Performance-based pay and bonuses plans align employee interests with business targets.

Training and Development: Providing high quality training remains a focus area for your Company. During the year, numerous workshops on Leadership, Personal Effectiveness, Coaching, Talent Management, etc. were conducted for all levels.

Living the GSK Values: Your Company lays high emphasis on core values of the GSK Group - Integrity, Respect, Transparency and Consumer First. Constant communication initiatives are made to reinforce these values and to help all employees relate to and imbibe these values.

Employee Engagement and Communication: Your Company's communication channels are designed to keep employees informed, engaged and involved in activities across all areas of our organisation. We encourage two-way, open and honest communication with employees. We leverage all possible communication media like print, digital and face-to-face interactions. During the year, we launched the digital media screens across all our locations including manufacturing sites to enable direct employee communication. There is immense focus on Employee Engagement activities like team building, sports events and open forums. The wellness and wellbeing service has been launched this year to help employees in coping with the day-to-day challenges of modern life.

Environment and Social Commitment

Your Company believes in the 'Spirit of Partnership', and is strongly committed in helping the community that it operates in. Corporate Social Responsibility ("CSR"), to your Company is an investment in the community and not just 'corporate philanthropy' and thus, it makes a conscious and committed effort to spread awareness and contribute in whatever way it can. During the year, your Company focussed on relevant issues across locations such as health, education, women and child development, with a special focus on the upliftment of the girl child.

At the very foundation of your Company's CSR activities is the GSK 'Spirit'. Hence, employee volunteering is the cornerstone to any CSR activity. As part of the 'PULSE' program, which is an integral part of GSK's commitment to serve communities around the world by empowering employees to volunteer their professional expertise towards sustainable change, one of your Company's employees received an opportunity to make a difference by way of a three month project with 'Save the Children', an international NGO. Further, as a part of their induction into your Company, the Management trainee batch of 2011 got an opportunity to understand the work done in the CSR domain.

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. As part of the 'Orange day' activities, your Company's employees spent quality time with marginalised sections of the society. 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.

Your Company also works very closely with 'LSN Foundation' on a project that is aimed at providing improved quality of life to the homeless, street children, orphans, senior citizens and scavengers. During the year, your Company partnered with LSN Foundation to establish night shelters, community shelters, camps, stationary, training and publicity for the shelters to fund their management.

The Rajahmundry site conducted a full-fledged gynaecology camp for the suburban and rural women of Rajahmundry during the year. The camp involved a check-up for women and was a great success with almost 150 women benefitting from it. On the occasion of World Tuberculosis Day, an awareness rally was conducted by the medical team and students at the TB Unit of the Government Hospital,

Rajahmundry. Other initiatives included distribution of nutritional supplements and creating awareness about them and provision of additional class room shelter for a local school for the Hearing & Speech Impaired.

At Nabha, your Company embarked upon a novel initiative to provide nutritional and holistic support to pregnant ladies in and around Nabha. This was done through collaboration with a local NGO to provide nutritional support to 25 pregnant women from the underprivileged section of the society. Through one of the projects, your Company has also provided support to girl children from economically backward backgrounds to help them in continuing their school education. Your Company also partnered with Tribal Health Initiative to provide healthcare to tribal people in Sittilingi in line with an initiative recognised by the United Nations Foundation. Their health interventions go beyond merely providing a curative and preventive medical service, as the farming and craft initiatives are directly connected to maintaining health in the region. As part of ongoing capacity-building initiatives, year-long clinical training designed for health workers teaches them how to deal with patients in the new outreach clinics, weigh babies, provide immunisation, and improve health conditions for families in the village. Apart from the above initiatives, we also continue to address Black Fever, health and sanitation issues in North Bihar by creating Information and Education Communication (IEC) material and ensuring its appropriate dissemination in collaboration with Integrated Development Foundation.

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
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Place : Gurgaon
Dated : February 6, 2012

Annexure to the Directors' Report 2011

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

- Nabha Factory has been awarded Certificate of Merit at National Energy Conservation Awards, 2011. It also won the 2nd place in Energy Conservation from Punjab Energy Development Agency ("PEDA") in the state level Energy Conservation competition for the year 2010 for the second successive year. Further, Nabha factory also secured President's Roll of Honour ("PROH") as a part of the GSK Excellence Recognition Awards for their contribution towards reduction in energy consumption.
- Rajahmundry Factory has won the National Award, "Excellent Energy Efficient unit", for Excellence in Energy Management, 2011 from the CII.
- Sonepat site has been awarded 1st Place in State level Energy Conservation award from Haryana Renewable Energy Development Agency (HAREDA) for the year 2010.

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

Various energy conservation initiatives and throughput enhancement by improving process efficiencies being driven at all sites as part of Operational Excellence program have resulted in mitigating the energy inflation through improved yields. All the sites have had successful trials of blending bio-mass (briquettes/pellets/waste rice husk) with coal for steam generation thus paving way for reducing carbon foot print significantly in the coming years and ensuring a clean & sustainable environment.

2. Electricity

Several energy conservation initiatives have been carried out during the year. At Nabha, installation of energy efficient air compressors, enhanced power generation through co-generation Steam Turbine, Variable Frequency Drive application on Exhaust fans and replacement of inefficient motors with energy efficient motors were carried out during the year. At Rajahmundry, replacement of inefficient motors and air conditioners with energy efficient motors and air conditioners, replacement of conventional tube lights with LED tube rods, enhanced power generation through Co-Generation Steam Turbine and optimal loading of Forced Draft Ventilation, Refrigeration and Cooling tower systems were carried out during the year. At Sonepat, optimisation of equipment operations and control was carried during the year.

(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 throughput enhancement of Spray Dryer by 10% at Sonepat, Turbine synchronization with Grid, Variable Frequency Drive for Air Handling Units & Boiler Primary Air fan and Energy monitoring

and management system at Rajahmundry, 66 KV substation, Solar hot water battery, flash steam recovery, LED tube rods /lights, planetary gear boxes and energy efficient Air Conditioners at Nabha.

As a part of renewable energy initiatives, Nabha and Rajahmundry have installed sun pipes for natural lighting in buildings.

In order to reduce carbon foot printing across Primary Manufacturing sites, all sites have taken successful trials with briquettes/pellets/waste rice husk by blending with coal in the boilers for generation of process steam and will be increasing the biomass blending with coal to 10-20% by next year. All the sites are further exploring the feasibility of using Waste Rice Husk along with other Bio Mass in place of coal along with High Pressure boiler and steam turbine to generate power and steam.

(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

All the energy saving initiatives and projects implemented across sites have helped mitigate the severe inflation in HSD and Coal prices.

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"

	2011	2010
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Units (in Lacs)	3,74.29	3,39.27
Total amount (Rs. Lacs)	20,11.59	17,29.43
Rate/Unit (Rs.)	5.37	5.10
b) Own Generation-		
1) DG Sets Units (in Lacs)	41.21	45.27
Units per litre of Diesel oil	3.49	3.45
Cost/Unit (Rs.)	10.62	10.27
2) Turbine Units (in Lacs)	24.32	18.75
2. Coal Used in Boilers		
Quality (Calorific value ranging between 2500 to 3500 BTU) Quantity (Tonnes)*	51,265	46,852
Total Cost (Rs. Lacs)	28,33.47	21,36.02
Average Rate (Rs.)	55,27.04	45,59.11

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

	2011	2010
	Coal Power MT Units	Coal Power MT Units

B. Consumption per unit of Production:

1. Malt Based Food / Energy and Protein Health Food / Cereal Based Food / Powdered Milk (Per Ton)	0.53	454	0.53	455
2. Ghee & Butter (Per Ton)	0.28	129	0.29	137

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

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

R&D's key focus areas continue to be product innovation, new claims development, packaging development, cost savings initiatives and regulatory compliance. Further, various new initiatives have been taken to build a strong pipeline of new products and enhance consumption of existing products through product creativity and tapping of new target groups.

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

New product launches, re-launches, novel claims and new packaging have collectively enabled business to sustain high growth rate and end the year with a good Innovation pipeline, setting the platform for new launches into the following year. Cost savings generated have helped plough back these in promoting the new & existing products.

(3) Further Plan of Action

Your Company's R&D has a key role to play in achieving the next vision of becoming the world's best Fast-Moving Consumer Healthcare Company, driven by science and values. Cutting edge innovation based on consumer preferences without shifting focus on profitability would help R&D contribute and deliver the next vision of your Company. Initiatives such as Open Innovation, Packaging Innovation, emphasis on 'Design to Value' and Up-weight focus on Consumer Insights are some of the key initiatives that would be undertaken.

(4) Expenditure on R&D

(Rs. Lacs)

	2011	2010
a) Capital	1,29.68	69.07
b) Recurring	31,11.51	22,25.03
Total	32,41.19	22,94.10
R&D Expenditure as a percentage of turnover	1.1%	0.9%

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, Sri Lanka, Middle East, Myanmar, Malaysia, Nigeria and Kenya. The efforts to broaden the export base to new and existing countries are continuing.

(b) Total Foreign Exchange used and earned

(Rs. Lacs)

	2011	2010
Foreign Exchange Earnings	1,82,94.88	1,34,51.16
Foreign Exchange Outgo	23,18.82	35,86.39

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, 2011 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
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Place : Gurgaon

Dated : February 6, 2012