



do more
feel better
live longer

*Committed to Serve
Fast-forward the future*

GlaxoSmithKline Pharmaceuticals Limited

Annual Report 2015-16

Message from the Managing Director



“To stay ahead in this new environment, we are re-engineering the business model in a way that we are able to maintain margins, but at the same time, deliver value of relevance to our stakeholders – physicians, hospitals and the government. The value creation that we are looking at will be different from what we’ve done in the past.”

Dear Shareholders,

It is a matter of great pride and privilege for me to address you, our shareholders, for the first time. I am excited to be associated with GSK Pharmaceuticals Ltd., a company that has a rich legacy and tradition of excellence in India.

India has rapidly emerged as one of the fastest growing economies in the world. Last year, India surpassed China in terms of GDP growth rate. The Indian pharmaceutical industry today presents an interesting mix of challenges and opportunities. Further inclusion of drugs in the National List of Essential Medicines (NLEM)—subject to price ceilings, along with stringent compliance and quality standards, have eroded margins.

To stay ahead in this new environment, we are re-engineering the business model in a way that we are able to maintain margins, but at the same time, deliver value of relevance to our stakeholders – physicians, hospitals and the government. The value creation that we are looking at will be different from what we’ve done in the past.

We have changed the way we engage

healthcare professionals—the new focus being the creation of multi-channel approaches to reach more physicians. We are looking at medical education from a holistic perspective using digital technology; it could be one way to add value in the new world. In sync with our global initiatives, we intend to develop new digital, personal and real-time applications to better deliver information.

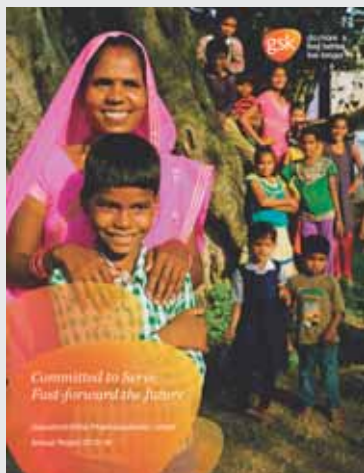
Your company has stepped up its supply chain excellence with an investment of ₹ 1000 crore in a new state-of-the-art facility at Vemgal, Karnataka. The existing facility at Nashik has also seen a further infusion of funds towards upgradation. This will ensure uninterrupted supply that will better serve our patients.

We are also committed to bring the right products from our global pipeline to India at the right price, to better serve our patients and explore the right opportunities to launch new medicines through in-licensing deals.

To widen access to our medicines into middle and rural India, we are calibrating prices of our products. The success of our pricing flexibility is validated by our recent success in Synflorix, our pneumococcal conjugate vaccine and Seretide Accuhaler in the respiratory space.

Your company puts people at the heart of everything that we do to help them do more, feel better and live longer. However, even today, millions of people still do not have access to basic healthcare. We want to change this and are working to develop innovative medicines and vaccines, while also finding new ways to get them to everybody who needs them.

A. Vaidheesh



GSK is a science-led global healthcare company with a mission to help people do more, feel better, live longer. We research, manufacture and make available a broad range of medicines and vaccines. We are committed to increase access to our medicines by selling them at affordable prices in developing countries

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The Indian pharmaceuticals business has been going through a transformation in recent years, driven by regulatory challenges. Amongst key challenges is the inclusion of additional medicines to the National List of Essential Medicines (NLEM) with price ceilings set by the government, stringent compliance standards and increased quality expectations, all of which have pressured margins.

And yet, at GSK, we have always risen above challenges as we endeavour to bring quality and care standards of the future to our patients.



Vemgal project team on site

Supply chain excellence

The wide range of GSK's portfolio of products touches the lives of millions of patients everyday. We are fast forwarding our supply chain excellence to ensure every patient gets the right product at the right price.

We are investing ₹ 1000 crore in our state-of-the-art facility at Vemgal, Karnataka. Our existing site at Nashik has also been upgraded to ensure uninterrupted supply. In addition, the company plans to invest in a new state-

of-the-art topical medicine (creams and ointments) facility that will be the largest of its kind within the GSK network.

Quality, Environment & Employee Health and Safety

GSK remains committed to the highest quality standards in the pharmaceutical industry. Equally, environmental considerations have also been at the forefront of our upcoming factory in Vemgal, with an aim to achieve Leadership in Energy and Environmental Design (LEED) Gold Standard.



New Eltroxin facility at Nashik

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In addition, we are investing in renewable energy for our new factory in Vemgal, in the form of a 0.5MW Photovoltaic array, which will generate a significant part of the site's energy requirement.

With this initiative, GSK reiterates its care for the environment and commitment towards sustainable development to benefit future generations.

In addition, the recently launched Regional Transformation Plan will also aim to make our supply chain more efficient.

₹ 1000 crore

investment in our state-of-the-art facility at Vemgal, Karnataka

The health and safety of our employees are of highest priority at GSK.

We have been recognised for our high safety standards with an award to our Nashik site from the National Safety Council – Maharashtra Chapter, for contributing to employee health and safety through cultural improvement, facility upgrades and procedural excellence.

The site has demonstrated record-breaking output with an increased EHS and Quality environment.

Recently, the site recorded the highest ever volume supply since its opening in 1983.

We are confident to leverage the power of the digital revolution and deliver impressive growth as we fast-forward the future while remaining committed to serve our patients with futuristic quality standards.



Our path to high growth

Leading in the digital age

Digital disruption is transforming every industry globally. With increasing Internet penetration in India and more digital-savvy healthcare professionals (HCPs), GSK is leading this transformation with a vision of an integrated solution that will increase the quality of in-clinic interactions. In a single quarter, we have achieved 400,000 digital HCP-interaction minutes by leveraging peer to peer networking. We are also in the process

of digitising our entire field force with iPads for instant detailing and real-time reporting. In addition, we are launching a Customer Relationship Management (CRM) & Sales Force Automation (SFA) tool with integration of the HCP engagement platform.

At GSK, we firmly believe that the time has come for the pharmaceutical industry to leverage technology to improve real-time flow of information and ride the digital revolution to fast forward the future.

Our products speak for us

At GSK, we continue to apply for new products that will bring innovative therapeutic options in healthcare to patients in India.

Some of these new innovative products include albiglutide (Tanzeum) for the treatment of Type 2 Diabetes Mellitus in adults, a paediatric vaccine for immunisation of children between one to twelve years of age against measles, mumps, rubella and varicella (Priorix tetra), inactivated poliomyelitis vaccine (Poliorix) indicated for immunisation against poliomyelitis from age of six weeks onwards.

Building capability for the future

Power of One team

As part of our commitment to serve patients better, GSK is harnessing the Power of One team internally. Eight cross-functional Excellence Teams have been put in place who, in addition to their usual duties, also work together to identify key action areas to bring this vision alive to fast-forward GSK's future.

The right training to hone the development of our employees

Our employees are continuously given the right training that will keep them ahead in both their personal and professional development. We also have differentiated development plans drawn up for individuals identified as key talent that includes on-the-job development, enhancing relationship and coaching skills as well as formal development and classroom training.

Our fresh recruits from leading universities and business schools undergo multiple rotations within a

business/function, providing combined depth and relevant breadth of experience early in a career at GSK. GSK's sales force undergoes rigorous training. Selected high-potential Sales Managers are put through the "GMAC—GSK Marketing Accreditation Programme" for eighteen months to develop their marketing capability.

At our Nashik site, we had an average of 8 man-days per employee or 5% of overall work time dedicated to training and improvement. During this training, employees were exposed to numerous activities, including risk identification and management, process capability improvement, emergency response, etc. This resulted in a deeper understanding of the essential elements of Safety and Quality, to equip them with the necessary skills to improve their performance.

For building teams with expertise

At GSK, the emphasis is on hiring the right people for the job.

We have recruited talent with experience in specific therapeutic areas to drive growth and engagement with doctors.

A recent example is the launch of our Eltroxin Invictus Team, a specialised team tasked with stepping up our engagement with endocrinologists to make GSK their trusted and preferred partner of choice, in order to better serve our patients.

5% of overall work time dedicated to training and improvement at our Nashik site.



Partnering with our communities

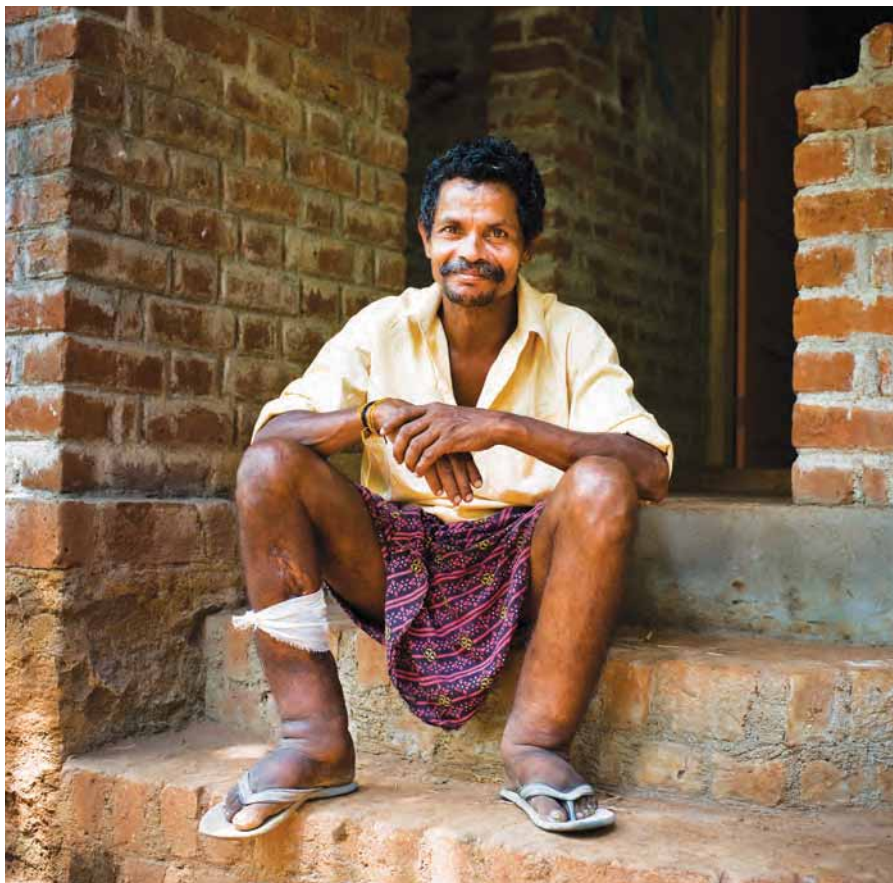
GSK India has a rich legacy of partnering with not-for-profit organisations to support our communities. We focus on making a difference through our Corporate Social Responsibility (CSR) efforts. In 2015-16, our CSR programmes touched the lives of more than a million people in India.



GSK cares for newborn survival

The healthcare need of newborn survival is an area where GSK has focused its CSR efforts. In India, every year, over 7,50,000 children die within the first 28 days of their birth. This translates to 27% of the world's newborn deaths, the highest in the world. What is even more heart breaking is that four out of five newborn deaths are caused by treatable conditions. At GSK, we have built CSR partnerships to address the entire continuum of care for newborn survival in the high-burden districts of Rajasthan and Madhya Pradesh.

We have partnered with Action Research and Training for Health (ARTH) in Rajasthan and CARE India in Madhya Pradesh to build capacity of the ASHA workers (community volunteers), train the skilled birth attendants, generate awareness and ensure improved facility-based and home-based newborn care. Our newborn survival initiative is estimated to have saved the lives of over 6,000 newborns over a span of two years.



GSK commits to eliminate Lymphatic Filariasis (LF – commonly known as Elephant Foot)

In India, Lymphatic Filariasis has been recorded in 250 districts across 20 states/union territories. Over 600 million people in India are at risk of contracting this infection, which is spread by a mosquito-borne parasite.

Over the past several years, GSK has been at the forefront in the war against Lymphatic Filariasis and in 2015-16 donated over 70 million albendazole tablets to the World Health Organisation

(WHO), which in turn partners with the Government of India to administer the medicine.

GSK manufactures albendazole tablets at its manufacturing facility at Nashik solely for this purpose and we have committed to continue to support WHO and the Government of India to eliminate Lymphatic Filariasis as a public health disease in India.



GSK's school sanitation project in Nashik

GSK has also commenced a project on school sanitation in Nashik, which is a critical aspect, not only for child health, but also for preventing drop-outs among students, especially girls.

GSK, in association with Habitat for Humanity India Trust, will construct/repair sanitation units and also communicate to students, teachers and support staff to promote the use of sanitation facilities and change existing unsanitary behaviour.

10,000 children covered by the project will carry the message of hygienic sanitary practices to their families and communities and take strides towards making our country free of open defecation, resulting in a healthier nation.



GSK Centre to accommodate cancer-affected children and their families

We recently inaugurated the GlaxoSmithKline Centre in Mumbai, run in partnership with St. Jude India ChildCare Centres. The centre will provide residential, nutritional, educational and transportation support to children affected with cancer and their families in Mumbai.

In major cities of India where low-cost cancer treatment is available, children who need treatment for cancer and their

parents come to hospitals from distant towns and villages. The hospitals do not treat them as in-patients during the long drawn-out treatment and these needy families do not have a place to stay when the child is not admitted to the hospital. Also, it is critical to ensure a safe and hygienic environment for children undergoing cancer treatment. The GSK Centre provides the children and their families this much-needed support.



Disaster relief efforts in Chennai

GSK was quick to contribute to the relief operations in Chennai by donating medicines, including anti-inflammatory, antibiotics, antihistamines, vitamins and minerals to AmeriCares. More than 20,00,000 units of medicines were donated and the field teams ensured that the medicines were utilised according to the identified medical need in the region. GSK employees also contributed generously towards relief efforts, led by Save the Children, and the company matched their contribution

equally to ensure that immediate healthcare needs of communities, especially children, were met.

Employees volunteer their time and skills

Our employees have been championing our endeavour to make a difference in society by actively participating in various platforms for volunteering that GSK offers. In fact, in 2015-16, over 3,000 employees contributed more than 13,000 volunteering hours through skill-based full-time volunteering projects, fundraising and volunteering events and payroll giving.

Building partnerships for the future

While GSK focuses internally to constantly improve our standards and bring healthcare of the future to our patients. We have also built external partnerships for a healthier future for all. GSK has built relationships with the government, Indian industry, public health organisations, universities abroad and non-governmental organisations to improve the quality of medical education, widen access to healthcare and foster business relations between countries.



The Economic Times Global Business Summit

In January this year, Sir Andrew Witty, CEO, GSK plc spoke at the prestigious Economic Times Global Business Summit in New Delhi. The event was inaugurated by PM, Narendra Modi. Sir Witty was joined by other global leaders-McKinsey's Dominic Barton, GE's John Rice, PwC's Dennis Nally and Indian leaders-Uday Kotak, Kumar Mangalam Birla and Sunil Mittal.

Sir Witty spoke on "Innovation- Accessing the next billion". He reiterated GSK's Indian legacy, "GSK has been in India for almost 100 years and we are proud of our Indian heritage."

He also reiterated GSK's commitment to make in India with a recent ₹ 1000 crore investment in a state-of-the-art facility at Vemgal, Karnataka that will manufacture the largest quantity of modern medicines within the GSK network, using the most cutting edge technology in the world.



Emerging Markets Forum at the University of Maryland

In April 2016, A. Vaidheesh, Vice President, South Asia & Managing Director, India, GSK Pharmaceuticals Ltd. weighed in on a high-level policy panel discussion at the Robert H Smith School of Business at the University of Maryland in the United States. The agenda at the Emerging Markets Forum was to explore avenues to foster greater business engagement between India and the US.

Antimicrobial Resistance Campaign

GSK Pharmaceuticals Ltd. had the opportunity to work with OPPI (Organisation of Pharmaceutical Producers on India) and the Health Ministry of Government of India and WHO in organising the first Antimicrobial Resistance – AMR Conclave at Delhi in February 2016. The AMR campaign was kicked off by the Honourable Minister of Health – J.P.Nadda with a print and radio campaign to educate doctors and patients at large on the appropriate use of antibiotics. (Refer to AMR campaign on the inside back cover of this report.)



Educational grant to Public Health Foundation

One of our core values is patient focus and in order to ensure that patients receive appropriate treatment, GSK supports continuing high-quality education of doctors. GSK gave an educational grant to the Certificate Course in Management of Thyroid Disorders (CCMTD), developed and implemented by the Public Health Foundation of India (PHFI).

The course is accredited by the South Asian Federation of Endocrine Societies (SAFES) for 2016-17 and also endorsed by Asia and Oceania Thyroid Association (AOTA) for 10 years (2016-2025), which speaks to the high quality of education delivered by the course.

GSK has also recently supported a PHFI Certificate Course in Management of Chronic Obstructive Pulmonary Disease (COPD) and Asthma, which will begin its first phase in November 2016.

Awards & Recognition

GSK Pharmaceuticals Ltd. has been recognised during the year with prestigious external awards in addition to awards won within the organisation (competing with the rest of GSK's global world class operations).



Most Respected Companies in India – Business World

GSK Pharmaceuticals ranked second in the “Most respected companies” in India in a Business World (magazine) survey in the pharmaceuticals sector.

Best Companies to Work For- Business Today

GSK Pharmaceuticals ranked second in ‘Best Companies to Work For’ in the pharmaceuticals and healthcare sector in a survey, conducted by Business Today magazine.



Best Safety Practices Award 2015- National Safety Council

GSK Pharmaceuticals India has been recognised for our high safety standards with an award from the National Safety Council – Maharashtra Chapter in collaboration with the Directorate Industrial Safety & Health, Maharashtra. At the ‘Best Safety Practices Award 2015’, GSK’s Nashik site was presented an award for contributing to employee health and safety through cultural improvement, facility upgrades and procedural excellence.

Global Manufacturing and Supply (GMS) President’s Awards

Our site at Nashik won a GMS President's Award for building a culture of zero accidents and improved occupational health. This was achieved by using internal and external experts to significantly improve and sustain safety performance.



Emerging Markets- “Winning Performance Awards 2015”

A nation-wide campaign on Congenital hypothyroidism (Early detection and management of hypothyroidism in pregnant women and neonates) ensured that doctors were educated and took action to improve screening for pregnant women. The media campaign reached two million readers through 150 publications.

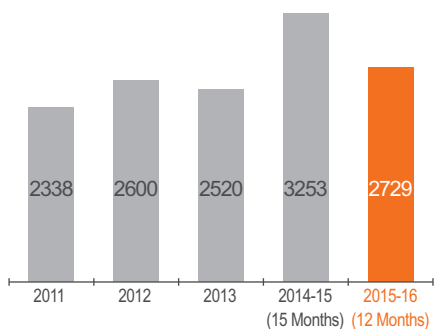
Emerging Markets- “Winning Performance Awards 2015”

The launch-readiness and affordable pricing increased patient access to Seretide. The team responsible for this was given an award for building a patient-focused sustainable business in the respiratory space.

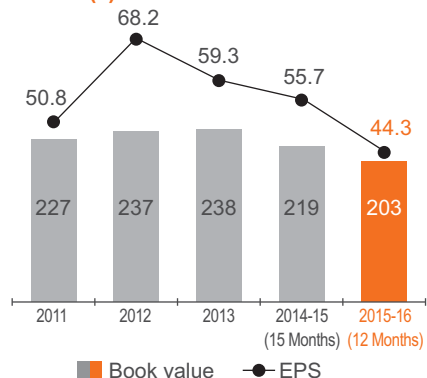
GlaxoSmithKline Pharmaceuticals Limited

Charts

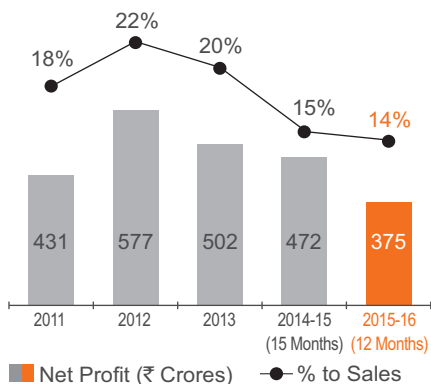
Turnover (Net)
(₹ Crores)



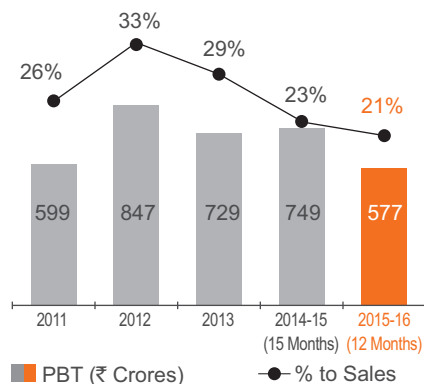
Earnings Per Share (EPS) and Book Value per share (₹)



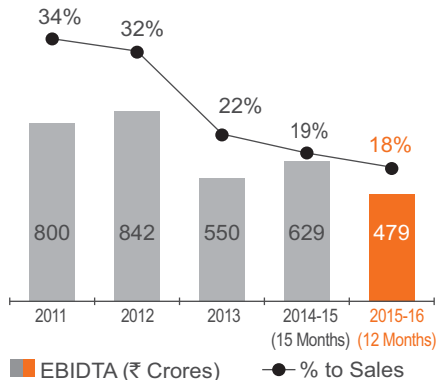
Net Profit % to Net Sales



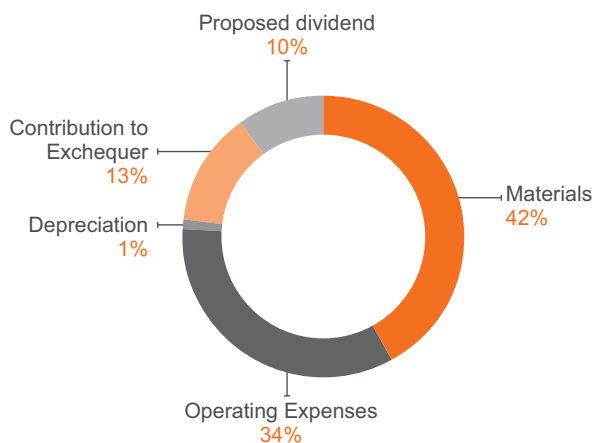
Profit Before Tax % to Net Sales



Earnings Before Interest, Depreciation and Tax % to Net Sales



Utilisation of Income



Note:
Earnings Before Interest, Depreciation and Tax is excluding Exceptional Items