



GlaxoSmithKline

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

# ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012



To help more people to  
**Do more,**  
**Feel better** and  
**Live longer**





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 (till 31.1.2012)

Jaiboy J. Phillips (w.e.f. 6.2.2012)

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

JP Morgan Chase Bank N.A.

### 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)

|   | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011*           | 2012*           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>SOURCES OF FUNDS</b>                 |                |                |                |                |                |                |                |                |                 |                 |
| Share Capital                           | 45,38          | 45,38          | 42,06          | 42,06          | 42,06          | 42,06          | 42,06          | 42,06          | 42,06           | 42,06           |
| Reserves & Surplus                      | 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        | 13,18,92        |
| TOTAL SHAREHOLDERS' FUNDS               | 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        | 13,60,98        |
| <b>FUNDS EMPLOYED</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> | <b>11,44,18</b> | <b>13,60,98</b> |
| DEFERRED TAX LIABILITIES                | 228,16         | 31,98          | 27,60          | 24,06          | 17,28          | 6,58           | -              | -              | -               | -               |
| <b>TOTAL</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>11,44,18</b> | <b>13,60,98</b> |
| <b>APPLICATION OF FUNDS</b>             |                |                |                |                |                |                |                |                |                 |                 |
| Gross Fixed Assets                      | 4,92,22        | 5,04,63        | 5,17,74        | 5,28,21        | 5,40,99        | 5,55,34        | 5,96,26        | 7,07,29        | 7,85,82         | 8,53,48         |
| Depreciation                            | 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         | 4,62,40         |
| NET FIXED ASSETS                        | 3,29,91        | 3,07,39        | 2,83,79        | 2,57,89        | 2,43,34        | 2,26,10        | 2,32,26        | 3,10,58        | 3,49,85         | 3,91,07         |
| INVESTMENTS                             | -              | -              | -              | 2,19,68        | 2,97,83        | 0,05           | 0,05           | 0,05           | -               | -               |
| DEFERRED TAX ASSET                      | -              | -              | -              | -              | -              | -              | 11,01          | 26,73          | 39,89           | 61,63           |
| NET ASSETS<br>(CURRENT AND NON CURRENT) | 1,85,45        | 2,53,89        | 2,18,92        | 89,21          | 1,22,46        | 5,41,36        | 6,61,83        | 6,22,73        | 7,54,44         | 9,08,28         |
| MISCELLANEOUS EXPENDITURE               | 4,91           | -              | -              | -              | -              | -              | -              | -              | -               | -               |
| <b>TOTAL APPLICATION</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>11,44,18</b> | <b>13,60,98</b> |

\* 2011 and 2012 based on Revised Schedule VI

### Ten Year Track Record

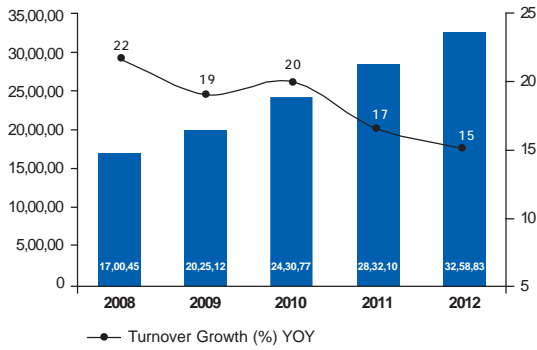
(Rs. Lacs)

|                          | 2003    | 2004    | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     |
|--------------------------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| TURNOVER                 | 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 | 32,58,83 |
| PROFIT BEFORE TAX        | 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  | 6,48,69  |
| NET PROFIT               | 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  | 4,36,76  |
| DIVIDEND PAYOUT          | 31,77   | 31,77   | 33,64    | 42,06    | 50,47    | 63,08    | 75,70    | 2,10,28  | 1,47,19  | 1,89,25  |
| CORPORATE DIVIDEND TAX   | 4,07    | 4,15    | 4,72     | 5,90     | 8,58     | 10,72    | 12,87    | 34,92    | 23,88    | 30,70    |
| RETAINED EARNINGS        | 40,51   | 37,24   | 68,79    | 78,98    | 1,03,63  | 1,14,53  | 1,44,22  | 54,65    | 1,84,13  | 2,16,80  |
| DIVIDEND - %             | 70      | 70      | 80       | 100      | 120      | 150      | 180      | 500      | 350      | 450      |
| EARNINGS PER SHARE (Rs.) | 16.82   | 16.12   | 24.84    | 30.18    | 38.68    | 44.78    | 55.35    | 71.30    | 84.46    | 103.85   |
| NUMBER OF SHARE HOLDERS  | 30,607  | 28,048  | 24,571   | 24,019   | 22,315   | 22,548   | 22,443   | 22,867   | 25,639   | 27,020   |

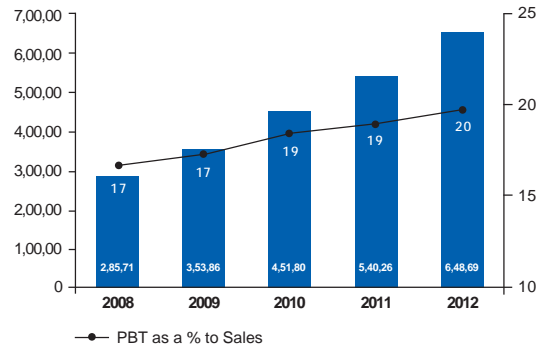


# Financial Highlights

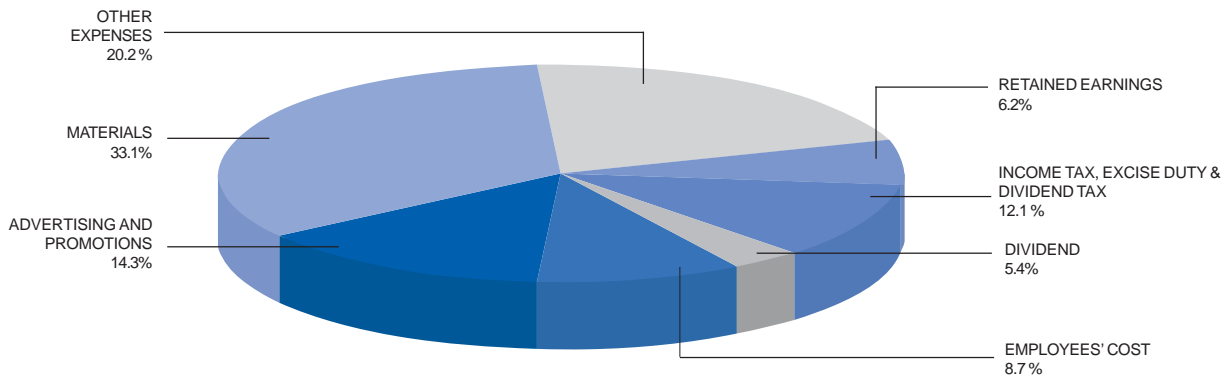
**Turnover**  
(Rs. Lacs)



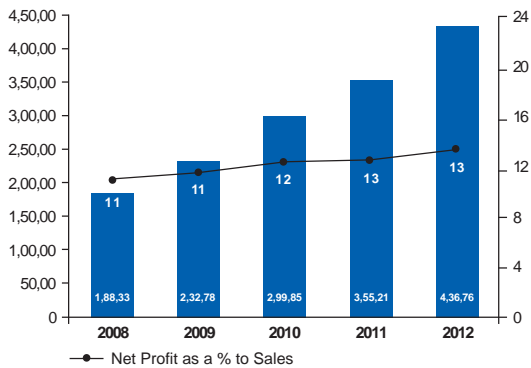
**Profit Before Tax**  
(Rs. Lacs)



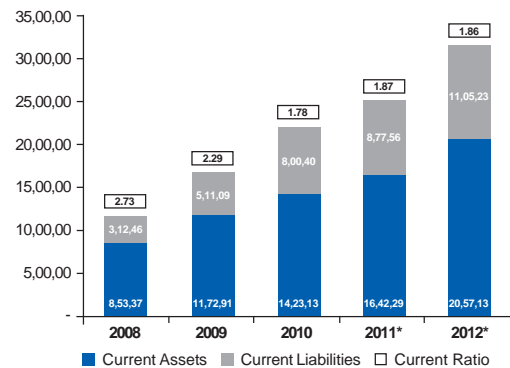
## Utilization of Income 2012



**Net Profit**  
(Rs. Lacs)



**Current Ratio (Times)**  
(Rs. Lacs)



\*2011 and 2012 based on Revised Schedule VI

## 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, 2012.

### Financial Results

|   | (Rs. Lacs)         |             |
|---|--------------------|-------------|
|   | 2012               | 2011        |
| Revenue from operations (Net)   | <b>31,87,49.36</b> | 27,65,00.45 |
| Profit before Depreciation, Amortisation and Tax  | <b>6,84,77.22</b>  | 5,86,23.69  |
| Less: Depreciation  | <b>36,08.37</b>    | 45,97.56    |
| <b>Profit Before Tax</b>  | <b>6,48,68.85</b>  | 5,40,26.13  |
| Less: Provision for Tax   |                    |             |
| - Current Tax   | <b>2,33,70.05</b>  | 1,91,56.00  |
| - Deferred Tax  | <b>(21,73.66)</b>  | (13,15.51)  |
| - Adjustment of Previous Years  | <b>(3.12)</b>      | 6,64.95     |
|   | <b>2,11,93.27</b>  | 1,85,05.44  |
| <b>Profit After Tax</b>   | <b>4,36,75.58</b>  | 3,55,20.69  |
| Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification. |                    |             |
| <b>Appropriations</b>   |                    |             |
| Proposed Final Dividend   | <b>1,89,24.99</b>  | 1,47,19.44  |
| Corporate Dividend Tax  | <b>30,70.11</b>    | 23,87.86    |
| Transferred to General Reserves   | <b>43,67.56</b>    | 35,52.07    |
|   | <b>2,63,62.66</b>  | 2,06,59.37  |
| Earnings Per Share (Rs.) (Basic & Diluted)  | <b>103.85</b>      | 84.46       |

### Performance of the Company

This is a landmark year for your Company having crossed three key milestones, Rs. 3,000 crores sales, Rs. 3,000 share price and Rs. 100 EPS. Your company recorded 15% increase in sales and 23% increase in PAT during 2012 over the previous year. Your Company has now achieved consistent double digit profitable growth for the eighth year in a row.

The strong double digit performance of your Company's key brands – Horlicks and Boost continued during 2012. Horlicks registered a growth of 15.3% with strong performance across variants. The Mega Brand Horlicks witnessed a re-launch during the year on the platform of a strong scientific claim, whereby Horlicks is clinically proven to "Improve the 5 Signs of Growth" supplementing the existing claim of Taller, Stronger and Sharper. The re-launch was supported by a strong Media campaign, which turned out to be one of the most high-decibel and impactful launches in the FMCG sector this year. The on-ground execution also kept pace with some never before visibility in trade, practically owning the stores across markets and partnering with 10,000+ doctors across the Country. The Horlicks extensions range continues to grow from strength to strength. After the successful campaign in North-West on Power of Milk, Horlicks launched the next big initiative in North-West, "The Tastiest Chocolate Horlicks Ever". The campaign strengthened the "Horlicks increases the Power of Milk" proposition along with the taste credentials of "MORE CHOCOLATY" and helped your Company gain firm ground in the traditionally un-penetrated North and West regions, taking the growth trajectory for these regions to the next level.

Boost, which from inception has stood for 'energy' at its core, had a momentous year during 2012 with one of the strongest performance recording 19.3% growth. The strong performance of Boost was supported by some innovative campaigns during the year. E.g. "Sachin Tendulkar's 23 years of Stamina, powered by Boost", leveraging of the global tie-up between GSK and McLaren in India through which, your Company provided access of the world of F1, to Boosts' customers and the Boost Anthem (created by Dhanush of "Kolaveri Di" fame), through which Boost made a strong entry into the digital marketing space. The year also witnessed the launch of Boost in an exciting flavour, Boost Choco Éclair, which has performed exceedingly well and connected well with kids on taste.

The Foods portfolio continued to deliver strong double digit growth. The biscuits portfolio recorded growth of 26% over 2011. The year also witnessed the foray of brand Horlicks into the Health Biscuits segment with the launch of Nutribic in 2 variants, Fiber Rich Digestive and Zero Added Sugar. The feedback from the market has been very encouraging and within the first quarter of launch, your Company has gained an impressive market share. Horlicks Oats, which was launched in South India last year, has been very well accepted and has garnered an impressive market share ranking third within a short span of time.

Your Company's focussed cost management and working capital optimisation program continued to deliver strong results in containing inflation and supporting profitable growth. Sustained improvement in working capital continued in 2012. The cost optimization programs and returns from surplus cash arising from working capital initiatives have supported sustained investments in your Company's brands. 2012 witnessed several strong impactful campaigns which have been covered above.

Your Company has successfully completed a major capacity expansion project in February 2013. The project involved commissioning of a new manufacturing line using Vacuum Band Drier (VBD) technology, which involves extensive automation and controls. This is the World's largest Vacuum Band Dryer line and will augment our capacity by 18 thousand tones p.a.

### Dividends

The Directors recommend a total dividend of Rs. 45 per equity share of Rs. 10 each for the financial year ended 31 December 2012. If approved by the Members at the ensuing Annual General Meeting to be held on 9 April 2013, it will be paid on or before 8 May 2013 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 20 March 2013.

### Reserves

The total Reserves as on December 31, 2012 stood at Rs. 13,18,92.23 Lacs representing an increase of 19.7% from last year.

### Exports

During the year, your Company's export earnings amounted to Rs. 2,55,09.49 Lacs, representing an increase of 8.4% over the previous year. The subdued performance in exports was primarily due to drop in exports to Sri Lanka, which went through a rather tough economic phase during 2012 on account of unprecedented inflation. Your Company also exported to Bangladesh, Middle East, Nepal, Kenya, Nigeria, Myanmar, Malaysia and Pakistan during 2012.

## Research and Development

The Research & Development (R&D) function continues to play a critical role in your Company's aspiration for profitable growth by developing consumer insight driven products of value, which are scientifically superior and differentiated from competition.

The year 2012 saw several new launches and restages, including the mega re-launch of Horlicks with a scientifically proven '5-signs of growth' claims, re-launch of Chocolate Horlicks customised for customers in North & West parts of India, new range of Horlicks Nutribic premium nutrition biscuits, Choco-Eclair variant of Boost and re-launch of Horlicks biscuits with stronger claims. All these efforts are towards strengthening our category leadership, besides opening promising avenues of growth in new geographies as well as new categories. Your Company's R&D function has adopted various innovative techniques for the above delivery, with the focus this year being generation of key consumer insights, value-by-design concept in product development and deep-dive into science to deliver superior nutritional features and differentiated claims.

R&D continues to strongly partner the business for achievement of profitable growth by delivering strong cost savings programme in collaboration with Supply Chain. The focus this year has been on developing indigenous vendor capability for strategic raw materials which has brought in significant cost savings. You will be proud to know that your Company's R&D is working in the direction of responsibility towards our environment through sustainability initiatives and reduction of carbon foot-print. The R&D function has also partnered with Supply Chain for capacity enhancement projects particularly on a long term manufacturing processes that are efficient from a capital, energy and operational cost stand-point.

Packaging is a critical success factor for winning with the consumers at the first moment of truth. GSK India packaging team has been awarded seven India Star Awards and two Asia Star awards in 2012 for excellence in packaging. These awards are the topmost external industry recognition in the consumer goods industry, and are reflective of the continued superlative performance of your Company's R&D Packaging function.

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 and other independent agencies to help build GSK reputation among various stakeholders.

## 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. The Information Technology function has played the crucial role of a business enabler having effectively partnered with all functions. During the year, your Company has initiated projects with cutting edge technology to strengthen the Sales force effectiveness.

The Information Technology has displayed excellent agility and provided innovative solutions to address changing business requirements.

## 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. Praveen K. Gupta resigned as a Whole-time Director of the Company from January 31, 2012. The Board of Directors wish to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Praveen K. Gupta during his tenure as a Director. Mr. Jaiboy Phillips was appointed as a Whole-time Director of the Company, in casual vacancy created by the resignation of Mr. Praveen K. Gupta, at the Board Meeting held on February 6, 2012 and his appointment was approved by the shareholders at the Annual General Meeting held on March 22, 2012. Mr. Zubair Ahmed was re-appointed as Managing Director till May 31, 2013 and Mr. R. Subramanian was re-appointed as a Whole-time Director w.e.f. August 1, 2012.

## 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 firmly believes that investing in our people will help us ensure the long-term sustainability of our business. Our employment practices are designed to help us create the right workplace culture in which all employees feel valued, respected, empowered and inspired. GSK Values of Integrity, Transparency, Consumer-First and Respect-for-People are core to the way we work. We aspire to make your Company an employer of choice and we are investing significantly in our talent development at every level. Recruiting, developing and engaging employees are critical to meeting and sustaining our business objectives and overall performance. Our assessment processes are aligned to a core set of competencies, of which ethics and integrity are central. We strive to have good succession plans in place for critical positions across the organisation. We have proactive initiatives in place to recruit specialist and leadership talent, and we maintain a robust leadership strategy to identify and develop our highly skilled leadership group. We offer all employees a range of learning opportunities and tailored development programmes. Our performance and development planning process means employees have business-aligned objectives and behavioural goals. Reward systems are focused on promoting high performance and helping to attract and retain the best people. Performance-based pay, bonuses and share-based equity plans align employee interests with business targets. Employee Engagement and Communication stand high on our people priorities. Our focus on GSK Values and Talent development along with High Performance is reinforced through PVT (Performance – Values – Talent) Leadership, and we expect all our managers to demonstrate PVT Leadership in their roles.

## Environment and Social Commitment

Your Company is committed to making a positive contribution to communities where it operates. It invests in health and education programmes with the aim to bring about a definite change to the lives of the marginalised sections of the society. The initiatives aim to address the root cause of the problem and, in the long run, help in the creation of a healthy, inclusive and progressive nation. We believe that health and education of children and upliftment of women and the aged is an area that requires focused attention. Any initiative to improve the health, nutrition and literacy of this segment will have long lasting impact on their lives and help them carve a brighter future. We also continue to support other humanitarian and community causes, especially during crisis situations like natural disasters.

During the year, your Company has extensively worked for betterment of underprivileged children by providing them education and health facilities. The activities covered child trafficking victims, tribal children and the girl child in specific. These children were provided free education, residence, clothing and medical care. Further, efforts were made to counsel and re-school school dropouts. The team at Nabha took up a special task to support girl children from underprivileged background and continue their education with enthusiasm and independence. Employees contributed a portion of their salaries to gift girl students from Nabha's Government Senior Secondary School for Girls new bicycles in order to encourage these girls to continue school education without worrying about traversing distances.

In an effort that has been recognised in "Investing in Women's and Children's Health", a United Nations Foundation handbook, your Company and Tribal Health Initiative are working to provide healthcare to tribal people in Sittilingi, Tamil Nadu. Their health interventions go beyond merely providing a curative and preventive medical service, as the farming and craft initiatives foster better health in the region. Further, your Company has tied up with Navjyoti Development Society to support the cause of health of women and children in Sonapat. The efforts involved creating awareness regarding children's empowerment, providing health education and supporting social welfare of the girl child.

We also provided nutritional support to 150 families below poverty line and affected with HIV by offering them Horlicks as a nutritional supplement. The initiatives to provide nutritional support to pregnant women at Nabha and conduct gynaecology camps for the suburban and rural women of Rajahmundry continued during 2012. Further, we also continued our efforts 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.

Further, during the year, many of your Company's employees have contributed to the society through PULSE assignments and Orange day activities. In 2012, four employees, the highest so far, received an opportunity to make a difference by way of three month projects with reputed international and national NGOs like 'Kherwadi Social Welfare Association', 'St Stephens's Hospital', 'Paraplegic Foundation' and 'CARE' India, Delhi.

## Particulars of Employees

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and Accounts are being

sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217 (2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

## Management Discussion and Analysis Report

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

## Acknowledgements

The Directors wish to extend their thanks and appreciation to all the employees of the Company at all levels, agents and other business associates for their commitment, dedication and respective contributions to the Company's operations during the year under review.

The Directors would also like to acknowledge the valuable guidance, technical assistance and advice being received from the Associate Company in the U.K.

Your Directors look forward to the future with confidence.

For and on behalf of the Board

|                 |                          |                         |
|-----------------|--------------------------|-------------------------|
| S.J.Scarff      | Zubair Ahmed             | R Subramanian           |
| <i>Chairman</i> | <i>Managing Director</i> | <i>Mukesh H. Butani</i> |
|                 |                          | <i>Directors</i>        |

Place : Gurgaon

Dated : February 15, 2013

## Annexure to the Directors' Report 2012

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

#### A. CONSERVATION OF ENERGY

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

###### 1. Steam

Sustained initiatives for energy conservation have been carried out across sites. There has been an overall reduction in carbon emissions (CO<sub>2</sub>) per ton of production by 20% which was achieved through partial replacement of coal with bio-mass in existing boilers across all primary manufacturing sites. The total reduction in CO<sub>2</sub> emissions during 2012 was about 23000 tons thus paving way for significantly reduced carbon foot print 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 planetary gear boxes in place of conventional gear boxes, energy efficient direct coupled drives for spreading machines and Evaporators pumps along with installation of Variable Frequency Drive for Boiler Primary Air fan were carried out during the year. At Rajahmundry, Variable Frequency Drive for Boiler Primary Air fan, energy efficient cold water pumps for cooling towers and operational controls of Forced Draft Ventilation were carried out during the year. At Sonapat, optimisation of equipment operations and control along with refurbishment of refrigeration/air compressors/UPS systems were carried out 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 Double Effect Vapour Absorption Machine (VAM) & LED lights at Rajahmundry, Double Effect Vapour Absorption Machine (VAM) & 66 KV Substation at Nabha and installation of LED lights at Sonepat. As a part of renewable energy initiative Rajamundhry is exploring the feasibility of 1 MW Solar Photovoltaic captive power generation unit.

In order to reduce the carbon foot print across Primary Manufacturing sites in a sustainable manner, all sites will be further increasing the biomass blending with coal in the next year.

**(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 fuel 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"**

|   | 2012     | 2011     |
|---|----------|----------|
| <b>A. Power and Fuel Consumption</b>  |          |          |
| <b>1. Electricity</b>   |          |          |
| a) Purchased Units (in Lacs)  | 3,35.29  | 3,74.29  |
| Total amount (Rs. Lacs)   | 21,45.33 | 20,11.59 |
| Rate/Unit (Rs.)   | 6.40     | 5.37     |
| b) Own Generation   |          |          |
| 1) DG Sets Units (in Lacs)  | 79.78    | 41.21    |
| Units per litre of Diesel oil   | 3.65     | 3.49     |
| Cost/Unit (Rs.)   | 11.13    | 10.62    |
| 2) Turbine Units (in Lacs)  | 23.75    | 24.32    |
| <b>2. Coal used in Boilers</b>  |          |          |
| Quality (Calorific value ranging between 2500 to 3500 BTU) Quantity (Tonnes)* | 32,030   | 51,265   |
| Total Cost (Rs. Lacs)   | 18,99.23 | 28,33.47 |
| Average Rate (Rs.)  | 59,29.46 | 55,27.04 |
| <b>3. Bio-mass used in Boilers</b>  |          |          |
| Quality (Tonnes)  | 16,490   | 0.00     |
| Total Cost (Rs. Lacs)   | 10,08.84 | 0.00     |
| Average Rate (Rs.)  | 61,17.91 | 0.00     |

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

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

|   | 2012              |             | 2011              |             |
|---|-------------------|-------------|-------------------|-------------|
|   | Coal/ Bio-mass MT | Power Units | Coal/ Bio-mass MT | Power Units |
| 1. Malt Based Food/Energy and Protein Health Food/ Cereal Based Food/ Powdered Milk (Per Ton) | 0.53              | 477         | 0.53              | 454         |
| 2. Ghee & Butter (Per Ton)  | 0.28              | 141         | 0.28              | 129         |

**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, new product research, 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. Strong focus will be maintained on initiatives such as Consumer-insights driven innovation, product development designed to value, generation of high science-based differentiated claims, building a strong longer term pipeline and proactive regulatory affairs programme to build on our reputation among external stake-holders, to sustain the high performance of your Company's R&D function.

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

(Rs. Lacs)

|   | 2012            | 2011            |
|---|-----------------|-----------------|
| a) Capital                                  | 1,08.95         | 1,29.68         |
| b) Recurring                                | 35,53.85        | 31,11.51        |
| <b>Total</b>                                | <b>36,62.80</b> | <b>32,41.19</b> |
| R&D Expenditure as a percentage of turnover | 1.1%            | 1.1%            |

**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 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)

|                           | 2012       | 2011       |
|---------------------------|------------|------------|
| Foreign Exchange Earnings | 1,95,06.81 | 1,82,94.88 |
| Foreign Exchange Outgo    | 25,54.75   | 23,27.28   |

For and on behalf of the Board

S.J.Scarff                      Zubair Ahmed                      R. Subramanian  
*Chairman                      Managing Director                      Mukesh H. Butani*  
*Directors*

Place : Gurgaon  
Dated : February 15, 2013

# Management Discussion and Analysis Report

## Industry Structure and Development

The tough economic conditions of 2011 continued in 2012. While inflation did begin to taper off from the highs of 2011, the expectations of a rate cut continued to elude the market all through 2012. The high interest rates coupled with a lacklustre reforms process slowed down the industrial production. This coupled with the subdued performance in both services and agriculture, has significantly slowed down the GDP growth in the current fiscal and is expected to be the lowest in a decade. Amidst the gloomy scenario, the second half of 2012 saw some serious reform making process and political will in making efforts to bring the economy back to track. Some tough economic measures namely FDI in Retail, Oil & Gas and Power sector reforms, which saw the light of the day in the second half of 2012, brought about a welcome change. FII inflows in 2012 @ USD 23.2 Billion were the second highest in the last decade and to end with, 2012 turned out to be a fantastic year for the stock markets.

While the economic challenges continue, we move into 2013 with a renewed sense of confidence on most fronts. Clearly, the undertone in the markets is that the worst is over. Positive Government action the reforms process is extremely encouraging. Further, inflation is expected to tone down in 2013 and pave the way for reduction in interest rates in a phased manner by over 100 basis points. These factors are collectively expected to end the slump in factory output. With a normal monsoon in 2013, GDP growth is expected to gradually improve to 6-7%.

## Opportunities, Threats and Outlook

The slowdown in economy did have an adverse impact on the private consumption and the FMCG sector as a whole. A strong rebound in growth seems unlikely in the near short term. Further, the twin deficits are currently at unsustainably high levels and any significant fiscal corrective action from the Government will result in further dampening the economy. While the Government has pledged to go strong on the reforms process, some of the actions, particularly the deregulation of oil prices and SEB reforms will add to inflationary pressures. Prices of key commodities to our business which have been largely under control during 2012 will be closely watched given their sensitivity to our business. With 2013 being a pre-election year, the pressure on fiscal deficit is likely to continue. However, various social welfare programmes, particularly in the traditionally underpenetrated rural areas will be a key positive to the Consumer goods sector.

While we tread carefully amidst various external challenges, your Company strongly believes that we are strategically placed to benefit from the potential offered by the FMCG Sector given our internal strengths on people, processes, business strategy and strong brands with innovation capabilities.

## Risks & Concerns

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

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

## Financial Risk

The Company has no loan outstanding as on December 31, 2012.

The Company has minimal import requirements for its production process. The Company exports during the year stood at Rs 2,55,09.49 Lacs (which includes Rs 63,62.56 Lacs exported to Nepal & Bhutan). Hence no significant risk is envisaged to the business on account of currency fluctuations.

## Internal Control Systems and their Adequacy

The Company has an adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. The internal control system is supplemented by well-documented standard operating procedures, policies and guidelines and review carried out by the Company's internal audit function. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening the Company's risk management policies and systems. Additionally, the following measures ensure robust control system:

- Quarterly submission of structured internal control letters (ICLs) covers all functions in the Company. The self assessment by process / control owner is also used as the basis of CEO/CFO certification as required under Clause 49 of the Listing Agreement with the Stock Exchange. Apart from ensuring compliance with laid down internal control systems; it helps the business to align the control mechanism with global best practices.
- Any material variances from the budget are reviewed on a monthly basis and require approval of the Management Team. All major policy changes are approved by Managing Director.
- The Company has a Risk Management and Compliance Board (RMCB) comprising of the Managing Director, Director - Finance, Director - Operations, Vice President - Legal & Company Secretary and Vice President - Human Resource. Risk maps stating the significant business risks, potential consequences along with mitigation plans are prepared by each function and reviewed by RMCB on a regular basis.
- Business Continuity Plans are periodically reviewed and tested to enhance their relevance.

## Financial Performance and Results of Operations

### (A) Results of Operations

#### (1) Revenue from Operations (Net)

Revenue from Operations (Net) for 2012 increased by 15%, driven by impressive growth in both, net sales and other operating income. Increase in net sales was driven by both by volume and price/yield increases. Increase in other operating income was driven by higher Business Auxiliary Services Commission.

#### (2) Other Income

Other Income increased by Rs. 28,53.37 Lacs primarily due to improved interest income from Bank Deposits.

#### (3) Expenditure

During the year, input cost of Raw Material, Packing Material and Purchased Finished Goods, as a percentage to sales has decreased to 35.3% as against 36.0% last year mainly due various value engineering initiatives undertaken.

The company continued to make strong investments behind the brands. Advertisement and Promotion expenses during current year were 15.2% as a percentage of Sales.

#### (4) Profit before Taxation

Profit before Taxation amounted to Rs. 6,48,68.85 Lacs and has increased by 20.1% over previous year.

#### (5) Provision for Taxation

The company has made provisions for taxation for the year amounting to Rs. 2,11,93.27 Lacs (Including deferred tax) on Profits before Tax. The effective tax rate for the year is 32.67%.

## (B) Financial Condition

### (1) Reserves and Surplus

The Reserves and Surplus increased during the year by Rs. 2,16,80.48 Lacs. The transfer was made after providing for Proposed Final Dividend of Rs 1,89,24.99 Lacs including Dividend Tax amounting to Rs. 30,70.11 Lacs for the year 2012.

### (2) Non-current liabilities

Non-current liabilities amounting to Rs. 88,27.99 Lacs represent employee benefits and provisions for indirect tax and other matters. Provision for Gratuity / Leave / Post

Employment Medical Benefit and Interest on Provident Fund Shortfall has been made in accordance with the actuarial valuation as at December 31, 2012.

### (3) Current liabilities

Trade payables amounting to Rs. 4,78,43.75 Lacs represents amounts payable towards goods purchased or services received in the normal course of business.

Other current liabilities amounting to Rs. 3,51,48.92 Lacs represents amounts payable towards statutory dues, security deposits, employee benefits, capital purchases, etc.

Short-term provisions amounting to Rs. 2,75,30.79 Lacs comprise proposed dividend, corporate dividend tax, employee benefits, etc.

### (4) Fixed Assets

Additions of Rs. 30,36.57 Lacs during the year include primarily Plant and Machinery (Rs. 16,34.82 Lacs), Buildings (Rs 2,30.53 Lacs), Information Technology Equipment (Rs. 6,18.39 Lacs), and Motor Vehicles (Rs 1,46.84 Lacs).

### (5) Long-term loans and advances

Long-term loans and advances amounting to Rs. 44,66.38 primarily comprise advance tax, capital advances, employee loans, security deposits, etc.

### (6) Cash and Bank Balances

Cash and Bank balances with scheduled banks amounting to Rs. 98.15 Lacs and short term deposits of Rs 14,61,00.00 Lacs with various scheduled banks.

### (7) Other current assets

Inventories amounted to Rs. 3,69,63.55 Lacs as at 31 December 2012 as against Rs. 3,69,95.58 Lacs as at previous year end. Excellent initiatives undertaken have resulted in reduction of inventory holding at optimum levels.

Sundry debtors amounted to Rs. 1,12,61.44 Lacs as at 31 December 2012 as against Rs. 99,19.07 Lacs as at 31 December 2011. The debtors as at end December 2012 represent 13 days' sale value.

Short-term loans and advances and other current assets amounting to Rs. 1,10,63.84 Lacs includes advances paid for raw and packing materials, stores and services, pre-paid insurance, loans to employees and balance with the Excise Authorities, advance income tax, accrued interest, consignment debtors, etc.

### (8) Net Working Capital

The Company has a negative Working Capital (Excluding Cash and Bank Balances and Proposed Dividend) of Rs. (2,92,39.53) Lacs as at 31 December 2012 as against negative Working Capital Rs. (1,43,84.69) Lacs as at 31 December 2011. Your Company has taken various measures towards reducing the Working Capital.

### (9) Return on Capital Employed

The return on capital employed (average) during the year has increased to 34.9% from 33.8% last year. The percentage has been computed by dividing PAT by the average capital employed (shareholders' funds plus loan funds) during the year.

### (10) Debt Equity Ratio

Your Company being a cash surplus organization has no outstanding loan and consequently has a zero debt-equity ratio.

## Material Developments on Human Resource/ Industrial Relations Front

Mr. Praveen K. Gupta resigned as a Whole-time Director of the Company from January 31, 2012. The Board of Directors wish to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Praveen K. Gupta during his tenure as a Director. Mr. Jaiboy Phillips was appointed as a Whole-time Director of the Company, in casual vacancy created by the resignation of Mr. Praveen K. Gupta, at the Board Meeting held on February 6, 2012 and his appointment was approved by the shareholders at the Annual General Meeting held on March 22, 2012. Mr. Zubair Ahmed was re-appointed as Managing Director till May 31, 2013 and Mr. R. Subramanian was re-appointed as a Whole-time Director w.e.f. August 1, 2012.

Please refer to the Directors Report on Human Resource Development.

The Company had 3463 permanent employees on its payroll as on 31 December 2012.

## Cautionary Statement

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the Company's operations such as Government policies, local, political and economic development, risks inherent to the Company's growth and such other factors.

For and on behalf of the Board

|                                 |  |  |
|---------------------------------|--|--|
| S. J. Scarff<br><i>Chairman</i> | Zubair Ahmed<br><i>Managing Director</i> | R. Subramanian<br>Mukesh H. Butani<br><i>Directors</i> |
|---------------------------------|--|--|

Place : Gurgaon  
Dated : February 15, 2013

## 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, 2012 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<br><i>Chairman</i> | Zubair Ahmed<br><i>Managing Director</i> | R. Subramanian<br><i>Director - Finance</i> |
|---------------------------------|--|---|

|  |  |                                      |
|--|--|--------------------------------------|
|  |  | Mukesh H. Butani<br><i>Directors</i> |
|--|--|--------------------------------------|

Place : Gurgaon  
Dated : February 15, 2013

# Business Responsibility Report

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

| 1.                      | Corporate Identity Number (CIN) of the Company   | L15494PB1958PLC2257   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
|-------------------------|--|---|---------|---------------|----------|------------------|----------|-------|-------------------|----------|-------|-----------------------|----------|-------|-------------------------|----------|-------|
| 2.                      | Name of the Company  | GlaxoSmithKline Consumer Healthcare Limited   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 3.                      | Registered address   | Patiala Road, Nabha 147 201 (Punjab)  |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 4.                      | Website  | gsk-ch.in   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 5.                      | E-mail id  | investor.2.co@gsk.com   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 6.                      | Financial Year reported  | January 1, 2012 to December 31, 2012  |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 7.                      | Sector(s) that the Company is engaged in (industrial activity code-wise)   | Food Processing Sector<br><table border="1"> <thead> <tr> <th>Product</th> <th>ITC (HS) Code</th> <th>NIC Code</th> </tr> </thead> <tbody> <tr> <td>Malt Based Foods</td> <td>19019090</td> <td>219.1</td> </tr> <tr> <td>Protein Rich Food</td> <td>19019090</td> <td>219.6</td> </tr> <tr> <td>Cereal Based Beverage</td> <td>19019090</td> <td>218.0</td> </tr> <tr> <td>Nutritional Food Powder</td> <td>21069099</td> <td>218.0</td> </tr> </tbody> </table> | Product | ITC (HS) Code | NIC Code | Malt Based Foods | 19019090 | 219.1 | Protein Rich Food | 19019090 | 219.6 | Cereal Based Beverage | 19019090 | 218.0 | Nutritional Food Powder | 21069099 | 218.0 |
| Product                 | ITC (HS) Code  | NIC Code  |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| Malt Based Foods        | 19019090   | 219.1   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| Protein Rich Food       | 19019090   | 219.6   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| Cereal Based Beverage   | 19019090   | 218.0   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| Nutritional Food Powder | 21069099   | 218.0   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 8.                      | List three key products/services that the Company manufactures/provides (as in balance sheet)  | a. Malt Based Food<br>b. Protein Rich Food<br>c. Cereal Based Beverage<br>d. Nutritional Food Powder  |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 9.                      | Total number of locations where business activity is undertaken by the Company :<br>i. Number of International Locations: (Provide details of major 5)<br>ii. Number of National Locations : | –<br><br>Gurgaon, Chennai, Mumbai, Kolkata, Nabha, Rajahmundry, Sonapat   |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |
| 10.                     | Markets served by the Company – Local/State/ National/International  | PAN India / Sri Lanka, Bangladesh, Nepal, Middle East, Kenya, Malaysia, Myanmar, Nigeria, Pakistan  |         |               |          |                  |          |       |                   |          |       |                       |          |       |                         |          |       |

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

|   |   |
|---|---|
| Paid up Capital (INR)   | Rs. 42,05,55,380  |
| Total Turnover (INR)  | Rs. 30,79,35,70,096   |
| Total profit after taxes (INR)  | Rs. 4,36,75,58,811  |
| Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 0.002%  |
| List of activities in which expenditure in 4 above has been incurred                          | a. Activity towards addressing major health issue "Kalazar" in North Bihar.<br>b. Sustaining healthcare and livelihood for the tribal community in Kalrayan hills near Salem in Tamil Nadu.<br>c. In Vidarbha, Maharashtra support provided to families and widows where farmers have committed suicide due to agrarian prices. |

## SECTION C: OTHER DETAILS

- Does the Company have any Subsidiary Company/ Companies? – No
- Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) – No
- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] - No

## SECTION D: BR INFORMATION

### 1. Details of Director/Directors responsible for BR

- Details of the Director/Director responsible for implementation of the BR policy/policies
  - DIN Number : 01417171
  - Name : Mr. Jaiboy John Phillips
  - Designation : Director- Operations

## b) Details of the BR head

| S.No. | Particulars                | Details                 |
|-------|----------------------------|-------------------------|
| 1.    | DIN Number (if applicable) | –                       |
| 2.    | Name                       | Ms. Sonali Khanna       |
| 3.    | Designation                | General Manager - Legal |
| 4.    | Telephone number           | + 91-124-4057700        |
| 5.    | e-mail id                  | sonali.k.khanna@gsk.com |

## 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

| S. No. | Questions  | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|--------|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1.     | Do you have a policy / policies for....  | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 2.     | Has the policy being formulated in consultation with the relevant stakeholders?  | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 3.     | Does the policy Conform to any national/international standards? If yes, specify? (50 words)*  | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 4.     | Has the policy being approved by the Board?<br>Is yes, has it been signed by MD/owner/CEO/<br>appropriate Board Director?                                | N   | N   | N   | N   | N   | N   | N   | N   | N   |
| 5.     | Does the Company have a specified Committee of the Board/Director/Official to Oversee the implementation of the policy?                                  | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 6.     | Indicate the link for the policy to be viewed online?  | N   | N   | N   | N   | N   | N   | N   | N   | N   |
| 7.     | Has the policy been formally communicated to all relevant internal and external stakeholders?  | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 8.     | Does the Company have in-house structure to implement the policy/policies.   | Y   | Y   | Y   | N   | Y   | Y   | Y   | Y   | Y   |
| 9.     | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | Y   | N   | Y   | N   | Y   | N   | Y   | N   | Y   |
| 10.    | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?                               | N   | Y   | Y   | N   | N   | Y   | Y   | N   | Y   |

\*The Policies have been framed keeping in view our commitment in achieving the social environment and economic goals of the organization. These Policies have been derived and adopted from the Global policies and are aligned as per the Indian scenario, to safeguard the interest of all its stakeholders.

## 2a. If answer to S.No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

| S. No. | Questions   | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|--------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1.     | The Company has not understood the Principles   |     |     |     |     |     |     |     |     |     |
| 2.     | The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles |     |     |     |     |     |     |     |     |     |
| 3.     | The Company does not have financial or manpower resources available for the task  |     |     |     |     |     |     |     |     |     |
| 4.     | It is planned to be done within next 6 months   |     |     |     |     |     |     |     |     |     |
| 5.     | It is planned to be done within the next 1 year   |     |     |     | ✓   |     |     |     |     |     |
| 6.     | Any other reason(please specify)  |     |     |     |     |     |     |     |     |     |

## 3. Governance related to BR:

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

BR Reporting, being a new requirement, the Company intends to implement good governance procedures and practices. In this regard the Business Responsibility head shall fix the terms of reference to assess the BR performance of the Company and ensure that the meetings are held and the Board is apprised of the same.

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

The Business Responsibility head will determine the frequency of publishing this report and ensuring that the same is available on the company website for the stakeholders.

**SECTION E: PRINCIPLE-WISE PERFORMANCE**

**Principle 1 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability**

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Anti Bribery and Corruption Policy covers the Company and all its Third Party Vendors. It does extend to the Suppliers/Contractors and everyone the Company does business with.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

None

**Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- a. Horlicks and its variants
- b. Boost and its variants

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

**i. Water & Energy Consumption in 2012**

| S.No | Parameter                    | Unit              | Total      |
|------|------------------------------|-------------------|------------|
| 1.   | Water consumption (absolute) | KL                | 9,76,850   |
| 2.   | Carbon Emissions             | Absolute CO2 (Kg) | 86,07,3609 |

**ii. Raw Material Consumption in 2012**

| S.No | Description of Raw Material | Unit | Total  |
|------|-----------------------------|------|--------|
| 1.   | Milk Powder                 | MT   | 9,177  |
| 2.   | Liquid Milk                 | MT   | 54,080 |
| 3.   | Malt and Malt Extract       | MT   | 71,366 |
| 4.   | Flour (Wheat)               | MT   | 30,831 |

- i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

Overall India carbon emissions (CO2) per ton of production have reduced by 20% majorly by partially replacing coal with waste bio-mass - a renewable resource, in the existing boilers across the three primary manufacturing sites. The percentage blending of bio-mass with coal on overall India basis is 34% resulting in to reduction of about 23000Tons of CO2 emissions, thus paving way for reducing carbon foot print significantly in the coming years and ensuring a sustainable environment.

Overall India the water consumption in absolute (KL) have reduced by 3.29% as compared to 2011 by recycling and reuse projects.

- ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Not applicable

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

It is a focus area for the organization and we had started with our sites and planning to include supply base by creating awareness and identify areas to reduce CO2, water and waste management.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes, various steps have been taken at the local site level, major activities under this arena is on Dairy Development, following different activities are carried out to improve their capacity:

1. Animal Health Care
2. Breed Improvement
3. Dairy Farm Management
4. Clean Milk Production



**5. Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

All three sites have well defined system to recycle waste and recycling of products waste is more than 10%, detail of the waste utilization is as follows:

**Process:**

- Husk (Barley) : Sold as cattle feed.
- Product waste : Bio composting used as manure Pollution control Facility
- Ash from ESP : Reused in manufacture of ash based bricks, mud based bricks and for road construction.

***Principle 3 : Businesses should promote the wellbeing of all employees***

|    |   |                                    |
|----|---|------------------------------------|
| 1. | Please indicate the Total number of employees (on Company rolls)                                | 4053                               |
| 2. | Please indicate the Total number of employees hired on temporary/contractual/casual basis       | 1104                               |
| 3. | Please indicate the Number of permanent women employees.  | 102                                |
| 4. | Please indicate the Number of permanent employees with disabilities                             | 0                                  |
| 5. | Do you have an employee association that is recognized by management                            | Yes.<br>Rajamundry: 1, Nabha: 2    |
| 6. | What percentage of your permanent employees is members of this recognized employee association? | Nabha: 99.28%,<br>Rajamundry : 70% |

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

| S.No. | Category  | No of complaints filed | No of complaints pending |
|-------|---|------------------------|--------------------------|
| 1.    | Child labour / forced labour / involuntary labour | 0                      | 0                        |
| 2.    | Sexual harassment                                 | 0                      | 0                        |
| 3.    | Discriminatory employment                         | 0                      | 0                        |

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

- Permanent Employees : 30%
- Permanent Women Employees : 50%
- Casual/Temporary/Contractual Employees : 50%
- Employees with Disabilities : 0%

***Principle 4: Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized***

**1. Has the company mapped its internal and external stakeholders? Yes/No**

Yes, the Company has the system of contracts/ PO's with the stakeholders with defined terms and conditions, service levels and compensation.

**2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**

The Company has a process for identifying the Micro and small Medium Entreprises and ensuring compliance under the MSMED Act, 2006

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**

The Company procures liquid milk from ~400 villages in Nabha & Rajahmundry milkshed area. The Company drives a structured Dairy Development programme in its milkshed through Animal Health care, breed improvement, Farm management and Clean Milk production.

**Key activities:**

- Free Veterinary Service
- Deworming Camps - Free deworming of animals
- Multipurpose camps - Vety. treatment & awareness lectures
- Subsidy on Veterinary Medicines
- Subsidy on Feed Supplements - Mineral Mixture & Calcium Preparations

***Principle 5: Businesses should respect and promote human rights***

**1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?**

Extends to all

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

None

***Principle 6 : Businesses should respect, promote, and make efforts to restore the environment***

**1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/ Contractors/NGOs/others.**

Yes, It extends to Contract manufacturing sites.

**2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

All the three primary manufacturing sites have Site Energy policy which addresses global environmental issues such as climate change, global warming, etc. and site energy initiatives are being considered in line with that.

One of the key initiatives taken during the year is blending of waste bio-mass with coal in the existing boilers to reduce the carbon emissions thus contributing towards reducing the impact of global warming.

**3. Does the company identify and assess potential environmental risks? Y/N**

Yes, Proactive approach is followed in identification of the potential environmental risk, 5x5 matrix is used for the identification of the potential environmental risks. Proper SOP's/ controls are in place for the key environmental risks.

**4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

Various energy saving initiatives and projects, implemented across the sites during the year. However, presently these are not having potential to be submitted under Clean Development Mechanism.

**5. Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes, At Nabha, installation of planetary gear boxes in place of conventional gear boxes, energy efficient direct coupled drives for spreading machines, Evaporators pumps along with installation of Variable Frequency Drive for Boiler Primary Air fan, FBC boiler like Chamber rationalization, enhanced insulation, shifting of one of the products from energy intensive spray dryer plant to lower energy intensive tray drying unit, were carried out during the year.

At Rajahmundry, Variable Frequency Drive for Boiler Primary Air fan, energy efficient cold water pumps for cooling towers, synchronization of cogeneration steam turbine with grid and operational controls of Forced Draft Ventilation were carried out during the year.

At Sonapat, optimization of equipment operations and control along with refurbishment of refrigeration/air compressors/UPS/Boiler systems to improve energy efficiencies, were carried out during the year.

In future, 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 double effect Vapour Absorption Machine (VAM) & LED lights at Rajahmundry, double effect Vapour Absorption Machine (VAM) & 66 KV sub-station at Nabha and installation of LED lights at Sonapat.

In order to reduce the carbon foot prints across Primary Manufacturing sites in a sustainable manner, all sites have blended bio-mass with coal in the existing boiler. The percentage blending of bio-mass with coal on overall India basis is 34% resulting in to reduction of about 23000Tons of CO2 emissions. The biomass percentage blending with coal will be further increased in the next year.

Also, as a part of renewable energy initiative Rajahmundry is exploring the feasibility of 1 MW Solar Photovoltaic captive power generation unit.

**6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes. Stack Emissions, Water Analysis, Ambient Air Quality Reports are well within the limits as defined by CPCB/PPCB.

**7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as in end of Financial Year.**

There is no show cause notice pending at the end of financial year.

***Principle 7: Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner***

**1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

Yes

- a. Federation of Indian Chambers of Commerce and Industry (FICCI), Delhi
- b. Confederation of Indian Industries (CII), Delhi
- c. All India Food Processor's Association (AIFPA), Delhi
- d. Protein Foods and Nutrition Development Association of India (PFNDAI), Mumbai

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Yes, in the areas of policy advocacy, Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles.

***Principle 8 : Businesses should support inclusive growth and equitable development***

**1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

Yes. GSK strives to improve the quality of life and partnering with the society to improve, rebuild and create awareness about important social issues in 4 different ways:

**A. Corporate Funding**

The Company 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.



## B. Community development directly through GSK

- Improve people's Health & well-being and to provide education for the under privileged in and around the factories located at Rajahmundry, Nabha and Sonepat.
- The Nabha Foundation Healthcare and nutritional support to women and children.
- Scholarship to underprivileged girl children and meals to tribal children and honorarium to teaching and support staff.

## C. Relief and Rehabilitation in times of natural calamity and emergencies

Supply of nutritional products particularly in times of need and calamities. Our products are also supplied to various schools and to pregnant mothers in localities in villages in and around our factories.

## D. Volunteer time & expertise

At the very foundation of your Company's CSR activities is 'PULSE' - the skills-based volunteering initiative that enables GSK employees to volunteer their professional expertise towards making a sustainable difference to communities and patients in need. This year four of our Company's employees, received an opportunity to make a difference by way of three month projects with reputed international and national NGOs like 'Kherwadi Social Welfare Association' 'St Stephens's Hospital', 'Paraplegic Foundation' and 'CARE' India, Delhi.

## 2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

The initiatives are taken in both ways:

- Majority of the activities are assessed and monitored by external NGOs like Business and Community Foundation (BCF) and Charities Aid Foundation (CAF).
- Many initiatives are also taken directly by our employees and sites in community development, in and around the site locations like Nabha, Sonepat and Rajamundry and Delhi.

## 3. Have you done any impact assessment of your initiative?

Yes. It is an ongoing process - Each project is selected on basis of its sustainable impact and is regularly monitored. In order to ensure sustainable impact, majority of the corporate funding projects are long term ones where regular assessment of the impact is done and accordingly the scope and beneficiary identifications evolve.

## 4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

The Company has contributed approximately INR 94 lakhs towards various community development projects as listed herein.

## 5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so?

Our CSR responsibilities arise from our mission statement - "To improve the quality of human life by enabling people to do more, feel better and live longer".

All the projects are carefully selected in consultation with our NGO partners, private foundations and academic institutions to ensure long term sustainability and empowering of the people whom we strive to help. Most of our projects are aimed towards health benefits and specific projects like AIDS, Kalazar etc. aim and monitor to that effect the decrease in the number of cases reported as compared to before intervening. Similarly on educational and support to women, efforts are towards informal education where the goal is to bring education more closely to the children in slums and particularly for the disabled and physically challenged. Impact is assessed by monitoring decreasing number of dropouts, increasing enrolment and finally increasing number of students motivated to join formal education.

## ***Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner***

### 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

"GSKCH has an established Consumer Careline Cell which receives feedback from consumers through dedicated phone line (0124-4097237), email (consumer.2.co@gsk.com) or through snail mail (PO Box No.15, Gurgaon). This information is available on all the products manufactured and sold by the Company. The feedback received through all these three sources is routed to the concerned functions through an internal software application - Customer Delight System. GSKCH has detailed procedures to carry out necessary investigations in case warranted by the feedback. All the customer feedbacks are used to drive improvements within the system. These improvement actions are documented in the form of Corrective and Preventive actions and are reviewed periodically in management meetings.

As on 31st Dec 2012, 92% of the complaints were closed. Rest of the complaints are under investigation."

### 2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)?

Yes. Consumer is provided with instructions on serve sizes and the basic knowledge about the science working behind the various formulations and ingredients added in our product including general known functions of the nutrients. Storage Instructions and any cautionary notes are also provided, if it is important to ensure the safety of consumer at the time of consumption.

### 3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

None.

### 4. Did your company carry out any consumer survey/ consumer satisfaction trends?

GSKCH undertakes a number of surveys through the year with our consumers. These include surveys on consumer satisfaction with product formulation, packaging, and advertising. We also carry out extensive usage & attitude surveys for the categories we operate in.

# Corporate Governance Report

## Company's Philosophy on Corporate Governance

GlaxoSmithKline Consumer Healthcare Limited is committed to following best global corporate governance practices in all its pursuits. The guiding principle for the Company has always been to achieve shareholder's satisfaction and maximise shareholders' value by following best corporate governance norms in true letter and spirit. The Company aims at achieving this objective by ensuring transparency in its functioning by truthful and complete communication to all its stakeholders and by inculcating a culture of ethical business conduct in all its operations.

## Board of Directors

### Composition

The composition of the Board of Directors of the Company is in complete conformity with the requirements of Clause 49 of the Listing Agreement. The details of the Board of Directors, their attendance records and other relevant details during the year ended 31 December, 2012 are as under:

| Name of the Director                     | Category of Directorship | No. of Board meetings attended | Attendance at last AGM held on 22 March, 2012 | No. of Directorships in other Public Companies | No. of Committee Position held in other Public Companies |        |
|--|--------------------------|--------------------------------|---|--|--|--------|
|  |                          |                                |   |  | Chairman   | Member |
| Mr. Simon J. Scarff                      | NEC                      | 5                              | Yes   | 1  | -  | 1      |
| Mr. Zubair Ahmed                         | MD                       | 4                              | No  | 1  | -  | -      |
| Mr. Kunal Kashyap                        | ID                       | 5                              | Yes   | -  | -  | -      |
| Mr. Mukesh H. Butani                     | ID                       | 4                              | Yes   | 1  | -  | 1      |
| Mr. Naresh Dayal                         | ID                       | 4                              | Yes   | 1  | 1  | -      |
| Mr. P. Dwarakanath                       | ID                       | 5                              | No  | 5  | -  | -      |
| Mr. R. Subramanian                       | WTD                      | 5                              | Yes   | -  | -  | -      |
| Mr. Subodh Bhargava                      | ID                       | 5                              | No  | 7  | 2  | 2      |
| Mr. Praveen K. Gupta till 31 Jan 2012    | WTD                      | -                              | No  | -  | -  | -      |
| Mr. Jaiboy J. Phillips w.e.f. 6 Feb 2012 | WTD                      | 3                              | Yes   | -  | -  | -      |

NEC - Non Executive Chairman  
WTD - Wholetime Director

MD - Managing Director  
ID - Independent Director

### Details of Board Meetings during the year

The Board of Directors of the Company met five times during the year 2012 on 6 February, 7 May, 1 August, 1 November and 10 December, 2012.

### Information to the Board

The Company holds atleast four board meetings in a year with at least one meeting in each quarter to review the quarterly financial results. The maximum gap between two board meetings is not more than four months. Agenda papers are circulated to the Board members and other permanent invitees to the Board Meeting well in advance. In addition to the specific matters which are taken at the Board Meetings, the following information is also placed before the Board for its review:

- Annual Operating Plans and Capital budgets and any updates in connection therewith.
- Quarterly results of the Company.
- Minutes of the meetings of the Audit Committee and all other Committees of the Board.
- Terms of reference of the Committees of the Board.
- Statutory Compliance Certificate.
- Information on appointment and resignation of senior officers of the Company.
- Significant labour problems, if any, at any of the plant/locations of the Company.
- Significant development on the Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Information on strikes, lockouts, retrenchment, fatal accidents, dangerous occurrences, any material effluent or pollution problems or any other materially important incident, if any.
- Show cause, demand, prosecution notices and penalty notices of material importance.
- Any material default in financial obligations to and by the Company, or substantial non recovery for sale of goods by the Company.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Details of any joint venture or collaboration agreement.

- Sale of a material nature, of investments and/ or assets, which are not in the normal course of business.
- Any issue involving possible public or product liability claims of a substantial nature, including any judgement or order which may have passed strictures on the conduct of the Company.

## Committees of the Board

The Board of Directors decides the composition and terms of reference of the Board Committees. The composition, terms of reference and the dates of these Committee meetings is given below:

### a) Audit Committee

The Audit Committee comprises of three members, all of whom are Independent Directors and possess financial and / or accounting knowledge. The Committee comprised of Mr. Kunal Kashyap as Chairman and Mr. Subodh Bhargava and Mr. Mukesh Butani as the other two members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee. The Chairman, Managing Director, Finance Director and Operations Director are permanent invitees to the Audit Committee meetings. The Head of Internal Audit, Executive Vice President – Human Resources, the concerned partners of Price Waterhouse, the Statutory Auditors and KPMG Representatives (co-sourced internal auditors) are also invited to the Audit Committee meetings.

The Company has a multi disciplinary Internal Audit Team which submits its report directly to the Audit Committee on a quarterly basis. The Head of the Internal Audit Department reports to the Audit Committee. The Chairman of the Audit Committee attended the last Annual General Meeting held on 22 March 2012 to answer shareholders queries.

#### Terms of Reference:

The functioning and terms of reference of the Audit Committee including the role, powers and duties, quorum for meetings and frequency of meetings, have been devised keeping in view the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges. The terms of reference of the Audit Committee include:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 5A. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors on any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.
- 12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
14. The Audit Committee mandatorily reviews the following information:
- Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses; and
  - Reviewing the appointment, removal and terms of remuneration of the Chief internal auditor/Internal Auditors.

Five meetings of the Audit Committee were held during the year. Attendance at meetings during the year:

| Director            | No. of meetings attended |
|---------------------|--------------------------|
| Mr. Subodh Bhargava | 5                        |
| Mr. Kunal Kashyap   | 5                        |
| Mr. Mukesh Butani   | 4                        |

## b) Remuneration Committee

The Company has a Remuneration Committee which comprises of three members. The Committee comprised Mr. P. Dwarakanath as the Chairman and Mr. Simon Scarff and Mr. Naresh Dayal as the other two members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee.

### Terms of Reference:

The functioning and terms of reference of the Committee have been finalised in line with the recommendations as prescribed under the Listing Agreement with the Stock Exchanges. The Committee determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc., details of fixed component and performance linked incentives alongwith performance criteria, service contracts, notice period, severance fees, etc., stock option details, if any, and also to determine the remuneration of the Non Executive Directors. It also reviews all other aspects of benefits and compensation to employees throughout the Company including policies on the same.

Two meetings of the Remuneration Committee were held during the year. Attendance at meetings during the year:

| Director           | No. of meetings attended |
|--------------------|--------------------------|
| Mr. Simon J Scarff | 2                        |
| Mr. P. Dwarakanath | 2                        |
| Mr. Naresh Dayal   | 1                        |

## Remuneration Policy

Payment of Commission and Sitting Fees to the Non Executive Directors and payment of Salary, Commission and Perquisites to the Wholetime Directors are made in accordance with industry norms and subject to the overall ceilings imposed by the Companies Act, 1956 and other applicable statutes, if any. The basis is also determined by carrying out an annual analysis of the industry trends by an independent and reputed HR Management Consultant firm which is scrutinized and recommended by the Remuneration Committee. Performance linked incentives and bonus paid to the Wholetime Directors are determined on the basis of achievement of overall financial and other objectives set for the Company at the beginning of the year and the achievement of individual objectives.

The retirement age of the Wholetime Directors of the Company is 60 years while for Non Executive Directors it is 75 years. The Notice period for the Wholetime Directors is three months' notice on either side. The Service contracts are in the range of 3 to 5 years.

## Remuneration of Directors

Details of remuneration of the Directors for the financial year ended 31 December 2012:

(Rs.)

| S.No. | Name   | Designation/<br>Position | Salary      | Benefits    | Performance<br>Incentive | Grand<br>Total |
|-------|--|--------------------------|-------------|-------------|--------------------------|----------------|
| 1.    | Mr. Zubair Ahmed                                 | Managing Director        | 3,41,56,751 | 69,61,219   | 1,12,53,713              | 5,23,71,683    |
| 2.    | Mr. R. Subramanian                               | Director-Finance         | 1,48,73,552 | 29,31,744   | 58,17,885                | 2,36,23,179    |
| 3.    | Mr. Praveen K. Gupta<br>till 31 January 2012     | Director-Operations      | 11,41,659   | 1,55,46,938 | 2,39,480                 | 1,69,16,034    |
| 4.    | Mr. Jaiboy J. Phillips<br>w.e.f. 6 February 2012 | Director-Operations      | 1,48,58,399 | 24,36,581   | 62,25,479                | 2,35,20,459    |

(Rs.)

| S.No. | Name                 | Particulars            | Sitting Fees | Commission | Total    |
|-------|----------------------|------------------------|--------------|------------|----------|
| 1.    | Mr. Kunal Kashyap    | Independent            | 2,31,686     | 5,00,000   | 7,31,686 |
| 2.    | Mr. Mukesh H. Butani | Independent            | 1,86,742     | 5,00,000   | 6,86,742 |
| 3.    | Mr. Naresh Dayal     | Independent            | 1,16,798     | 5,00,000   | 6,16,798 |
| 4.    | Mr. P. Dwarakanath   | Independent            | 2,19,832     | 5,00,000   | 7,19,832 |
| 5.    | Mr. Simon J. Scarff  | Non Executive Director | 2,02,978     | 5,00,000   | 7,02,978 |
| 6.    | Mr. Subodh Bhargava  | Independent            | 2,31,686     | 5,00,000   | 7,31,686 |

### Shareholding of Non Executive Directors

Mr. Mukesh Butani holds 239 shares in the Company.

None of the other Directors of the Company is holding any shares in the Company.

### c) Investor Grievance Committee

The Investor Grievance Committee of the Company has three members. The Committee comprised of Mr. Simon Scarff as the Chairman and Mr. P. Dwarakanath and Mr. R. Subramanian as the other two members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee and also as the Compliance Officer.

#### Terms of reference:

The functioning and terms of reference of the Committee are in conformity with the requirements of the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, complaints of shareholders etc.

Four meetings of the Investor Grievance Committee were held during the year. Attendance at meetings during the year:

| Director            | No. of meetings attended |
|---------------------|--------------------------|
| Mr. Simon J. Scarff | 4                        |
| Mr. P. Dwarakanath  | 4                        |
| Mr. R. Subramanian  | 4                        |

The total numbers of complaints received and replied to the satisfaction of the shareholders during the year under review were 205. The Company ensures that the investor's correspondence is attended to expeditiously and endeavour is made to send a satisfactory reply within three days of receipt, except in cases that are constrained by disputes or legal impediments. There are no pending share transfer complaints as on 31 December 2012. The Company has advised Karvy Computershare Pvt. Ltd, its Registrar and Share Transfer Agent, to despatch the shares after transfer within three days from their approval at the Share Transfer Committee.

## GENERAL BODY MEETINGS

### Particulars of last three AGMs

| Year | Date           | Time       | Venue                                 | Special Resolution passed |
|------|----------------|------------|---------------------------------------|---------------------------|
| 2010 | 23 April, 2010 | 09.30 a.m. | Punjab Public School Auditorium,      | No Special resolution     |
| 2011 | 29 March, 2011 | 09.30 a.m. | The Punjab Public School              | No Special resolution     |
| 2012 | 22 March, 2012 | 09.30 a.m. | (Senior Wing), Nabha 147 201 (Punjab) | No Special resolution     |

### Postal Ballot Resolution

No Postal ballot resolution was passed during the year 2012. No special resolution requiring a postal ballot is being proposed for the ensuing Annual General Meeting.

## DISCLOSURE

- Materially significant related party transactions that may have potential conflict with the interests of Company at large - During the year 2012, the Company has related party transactions as envisaged under the Corporate Governance Code which have been mentioned in Note 30 to the Accounts.
- There have not been any non compliances, penalties or strictures imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

### Whistle Blower Policy

The Company has formulated a Whistle Blower policy and procedure with an aim to deter and detect misconduct and to ensure that genuine concerns of misconduct / unlawful conduct, which an individual believes may be taking place, are raised at an early stage in a responsible and confidential manner. For the year 2012, the members of the Committee

were Mr. Zubair Ahmed, Managing Director, Mr. Ramakrishnan Subramanian, Director - Finance, Mr. Jaiboy J. Phillips, Director - Operations, Mr. Surinder Kumar, EVP - Legal & Company Secretary and Mr. Arun Sehgal, EVP - HR. Apart from these members, the Committee has a Coordinator. The Audit Committee reviews the mechanism and all Whistle Blower complaints and investigations of the Whistle Blower Committee, at all its meetings.

### **Code of Conduct**

The Board of Directors has adopted a Code of Conduct for Directors and Senior Management of the Company. An annual affirmation of compliance with the Code of Conduct is taken from all the Directors and Senior Management members of the Company to whom the Code applies. The Code of Conduct has also been posted at the website of the Company [www.gsk-ch.in](http://www.gsk-ch.in). CEO's affirmation that the Code of Conduct has been complied with by the Board of Directors and Senior Management is given at the end of this report.

### **Policy for Insider Trading**

The Company has a Policy for the Prevention of Insider trading in the securities of the Company. The policy applies to all persons connected or deemed to be connected (Directors, officers and employees of the Company etc.) with the Company who are required to comply with the same.

### **Compliance**

#### **Mandatory Requirements**

The Company has followed all the mandatory requirements prescribed under Clause 49 of the Listing Agreement.

#### **Non Mandatory Requirements**

Following non mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company:

1. The Company has a Remuneration Committee whose Composition is in conformity with the requirements of Clause 49. The details regarding composition and terms of reference of the Committee are given in this report.
2. The Company has adopted a Whistle Blower Policy, details of which regarding composition and terms of reference are given in this report. It is affirmed that no member has been denied access to the Audit Committee and the Whistle Blower Committee.

### **CEO & CFO Certification**

The Certificate issued by the Managing Director (CEO) and Director - Finance (CFO) certifying the accuracy of the financial statements and adequacy of internal controls for financial reporting, as required under Clause 49 of the Listing Agreement, forms part of this Annual Report.

Management Discussion and Analysis Report setting out Opportunities and threats and also Risks and Concerns forms part of the Directors Report and is reported in this Annual Report.

## **MEANS OF COMMUNICATIONS**

### **Quarterly Results**

Wide publicity is accorded to the Quarterly Results by publishing them in widely circulated English daily (Financial Express) and a Punjabi daily (Punjabi Tribune) as per the requirements of the Listing Agreement with the Stock Exchanges. The results are also faxed to the Stock Exchanges where the Company is listed. The Company also has its own official press releases in various newspapers through its Public Relations agency.

The Quarterly results of the Company are also displayed on the website of the Company at [www.gsk-ch.in](http://www.gsk-ch.in).

### **Half yearly Report to each household of shareholders**

Half-yearly reports are provided to shareholders on a request being made to the Company in this regard.

### **Presentations made to institutional investors or to analysts**

Regular meetings & teleconferences were held with the Financial Institutions, Foreign Institutional Investors and Analysts. About twenty three meetings and nine teleconferences were held during the year with different Financial Analysts. They are also provided with a copy of the quarterly results after the same have been faxed to the Stock Exchanges. A copy of the presentations made to Financial Analysts is also made available on the website of the Company at [www.gsk-ch.in](http://www.gsk-ch.in).

## **GENERAL SHAREHOLDER INFORMATION**

### **Annual General Meeting:**

Date: The Fifty Fourth Annual General Meeting is scheduled to be held on Tuesday, 9 April 2013

Time: 9.30 a.m.

Venue: Punjab Public School Auditorium, The Punjab Public School (Senior Wing), Nabha, 147 201 (Punjab)

### **Financial Year:**

1 January 2012 to 31 December 2012

### Financial Calendar:

| S. No. | Particulars                      | Date of Board Meeting |
|--------|----------------------------------|-----------------------|
| 1.     | Quarter ending 31 March 2013     | May, 2013             |
| 2.     | Quarter ending 30 June 2013      | August, 2013          |
| 3.     | Quarter ending 30 September 2013 | November, 2013        |
| 4.     | Quarter ending 31 December 2013  | February, 2014        |

### Book closure:

The books will be closed from 21 March 2013 to 9 April 2013 (both days inclusive).

### Dividend payment:

For the year ended 31 December 2012, the Directors have recommended a dividend at the rate of Rs. 45 per equity share, subject to approval of the Members at the ensuing Annual General Meeting. If approved, the dividend shall be paid on or before May 8, 2013 to all the members.

### Listing on Stock Exchanges and Stock Code:

The shares of the Company are listed at two Stock Exchanges in India, the addresses of which are given below:

| Stock Exchange  | Stock Code                   |
|---|------------------------------|
| Bombay Stock Exchange Limited, Stock Exchange Towers, Dalal Street, Fort, Mumbai - 400 023                        | Physical 676<br>Demat 500676 |
| National Stock Exchange of India Limited, Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051 | GSKCONS                      |

The Listing Fee for the year 2012-2013 has been paid to the Stock Exchanges where the shares of the Company are listed.

### Stock Market Data:

High and Low during each month in last financial year from January, 2012-December, 2012 on the Stock Exchange, Mumbai

| Closing Share Price |         |         | Closing Share Price |         |         |
|---------------------|---------|---------|---------------------|---------|---------|
| MONTH               | HIGH    | LOW     | MONTH               | HIGH    | LOW     |
| January 2012        | 2573.30 | 2475.70 | July 2012           | 2733.35 | 2612.45 |
| February 2012       | 2675.00 | 2599.15 | August 2012         | 2931.10 | 2677.55 |
| March 2012          | 2748.50 | 2559.25 | September 2012      | 3075.65 | 2886.20 |
| April 2012          | 2880.00 | 2722.00 | October 2012        | 3105.10 | 2925.40 |
| May 2012            | 2791.80 | 2585.35 | November 2012       | 3697.05 | 3005.80 |
| June 2012           | 2764.05 | 2602.25 | December 2012       | 3824.90 | 3721.35 |

### Performance in comparison to BSE Sensex:



### Registrar and Transfer Agents:

Karvy Computershare Pvt. Ltd. Plot No. 17-24 Vittal Rao Nagar, Near Image Hospital, Madhapur, Hyderabad - 500 081

### Share Transfer System

Share transfers, where transfer documents are found in order, are registered and returned in the normal course within a period of 15 days from the date of receipt of the documents. Any requests for dematerialization / rematerialisation of shares are processed and confirmation given to depositories i.e. National Securities Depositories Limited (NSDL) or Central Depositories Services (India) Limited (CDSL), as the case may be, within 15 days from the date of receipt.

*Distribution of shareholding as on 31 December, 2012:*

| S.No | Category (Shares) | No. of Holders | % to Holders  | No. of Shares   | % to Equity   |
|------|-------------------|----------------|---------------|-----------------|---------------|
| 1.   | 1 - 250           | 21047          | 77.89         | 1363398         | 3.24          |
| 2.   | 251 - 500         | 3774           | 13.97         | 1284601         | 3.05          |
| 3.   | 501 - 1000        | 1205           | 4.46          | 846804          | 2.01          |
| 4.   | 1001 - 2000       | 388            | 1.44          | 565526          | 1.34          |
| 5.   | 2001 - 3000       | 148            | 0.55          | 369003          | 0.88          |
| 6.   | 3001 - 4000       | 70             | 0.26          | 250715          | 0.60          |
| 7.   | 4001 - 5000       | 55             | 0.20          | 252774          | 0.60          |
| 8.   | 5001 - 10000      | 124            | 0.46          | 907273          | 2.16          |
| 9.   | 10001 & Above     | 209            | 0.77          | 36215444        | 86.11         |
|      | <b>Total:</b>     | <b>27020</b>   | <b>100.00</b> | <b>42055538</b> | <b>100.00</b> |

| S.No. | Particulars   | No. of Shares Held | Percent of shares held (rounded off) |
|-------|---|--------------------|--------------------------------------|
| 1.    | Promoters - M/s Horlicks Limited                    | 18152243           | 43.16                                |
| 2.    | Mutual Funds & UTI                                  | 3343126            | 7.95                                 |
| 3.    | Banks, Financial Institutions & Insurance Companies | 3421056            | 8.14                                 |
| 4.    | Foreign Institutional Investors                     | 6491047            | 15.43                                |
| 5.    | Private Corporate Bodies                            | 4164490            | 9.90                                 |
| 6.    | Indian Public                                       | 6334927            | 15.06                                |
| 7.    | NRIs / OCBs   | 104136             | 0.25                                 |
| 8.    | Any others  | 44513              | 0.11                                 |
|       | <b>Total</b>  | <b>42055538</b>    | <b>100.00</b>                        |

*Dematerialisation of shares and liquidity:*

As on 31 December 2012, we have dematerialised 51.62% of our equity share capital, whilst 43.16% is held by Horlicks Ltd. in the physical form. Therefore, apart from Horlicks Ltd. holding, only 5.22% of our equity share capital is held in physical form.

*Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity:*

We have no GDRs/ADRs or any commercial instrument.

*Plant locations:*

**Nabha Plant:** GlaxoSmithKline Consumer Healthcare Limited, Patiala Road, Nabha - 147 201 (Punjab)  
**Rajahmundry Plant:** GlaxoSmithKline Consumer Healthcare Limited, Industrial Area, Dowleswaram - 533 124 (Andhra Pradesh)  
**Sonepat Plant:** GlaxoSmithKline Consumer Healthcare Limited, 14 km Stone, Sonepat - Meerut Road, Village Khewra, P.O. Bahalgarh - 130 121, District Sonepat (Haryana)

*Address for correspondence:*

**Registered Office:** GlaxoSmithKline Consumer Healthcare Limited, Patiala Road, Nabha - 147 201 (Punjab)  
**Head Office:** GlaxoSmithKline Consumer Healthcare Limited, DLF Plaza Tower, DLF City, Phase I, Gurgaon - 122 002 (Haryana)  
**Registrars and Share Transfer Agents:** Karvy Computershare Pvt. Ltd.  
 Plot No. 17-24 Vittal Rao Nagar, Near Image Hospital, Madhapur, Hyderabad - 500 081  
 Telephone: 040- 23420818, Facsimile: 040-23420814  
**Name, Address and contact numbers of the Compliance Officer:** Surinder Kumar, Company Secretary  
 DLF Plaza Tower, DLF City, Phase I, Gurgaon - 122 002  
 Telephone: 0124 - 254 0724, Facsimile: 0124 - 254 0720/21.  
**Email for Investors:** einward.ris@karvy.com, investor.2.co@gsk.com  
**Company's website address:** www.gsk-ch.in

For and on behalf of the Board  
 Zubair Ahmed  
 Managing Director

Place : Gurgaon  
 Dated : February 15, 2013

**Declaration as required under Clause 49 of the Listing Agreement**

All Directors and Senior Management members of the Company have affirmed compliance with the Code of Conduct for Directors and Senior Management of GlaxoSmithKline Consumer Healthcare Limited for the financial year ended December 31, 2012.

Place : Gurgaon  
 Dated : February 15, 2013

Zubair Ahmed  
 Managing Director



## Auditors' Certificate regarding compliance of conditions of Corporate Governance

### To the Members of GlaxoSmithKline Consumer Healthcare Limited

We have examined the compliance of conditions of Corporate Governance by GlaxoSmithKline Consumer Healthcare Limited ('the Company'), for the year ended December 31, 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Usha Rajeev  
*Partner*

Place : Gurgaon  
Dated : February 15, 2013

Membership No: F 087191

## Certification by Chief Executive Officer & Chief Financial Officer of the Company

### To the Board of Directors GlaxoSmithKline Consumer Healthcare Limited

We, Zubair Ahmed, Managing Director and Ramakrishnan Subramanian, Director - Finance, to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended December 31, 2012 as well as the Cash Flow statement as on that date and that to the best of our knowledge and belief, we state that:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and necessary steps have been taken to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit committee:
  - a) significant changes, if any, in internal control over financial reporting during the year;
  - b) significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
  - c) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Gurgaon  
Dated : February 15, 2013

Ramakrishnan Subramanian  
*Director – Finance*

Zubair Ahmed  
*Managing Director*

# Auditors' Report

## To the Members of GlaxoSmithKline Consumer Healthcare Limited

1. We have audited the attached Balance Sheet of GlaxoSmithKline Consumer Healthcare Limited (the "Company") as at December 31, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on December 31, 2012 and taken on record by the Board of Directors, none of

the directors is disqualified as on December 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2012;
  - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Usha Rajeev  
Partner

Place : Gurgaon  
Dated : February 15, 2013

Membership Number:  
F 087191

## Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of GlaxoSmithKline Consumer Healthcare Limited on the financial statements as of and for the year ended December 31, 2012

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that, except for certain items of inventory/ fixed assets which are of special/ proprietary nature for which suitable alternative sources do not exist, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v (a) According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
- (b) In our opinion, and according to the information and explanations given to us, there are no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, which have been made at prices which are not reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, service-tax, excise duty and cess as at December 31, 2012 which have not been deposited on account of a dispute are as follows:

| Name of the Statute          | Nature of dues                                     | Amount (Rs. Lacs) # | Period to which the amount relates | Forum where the dispute is pending   |
|------------------------------|--|---------------------|------------------------------------|--|
| <b>EXCISE DUTY</b>           |  |                     |                                    |  |
| The Central Excise Act, 1944 | Excise duty on clearance from excise exempt zone   | 41,74.38            | 2008-2012                          | Himachal Pradesh, High Court   |
| The Central Excise Act, 1944 | Valuation cases and other matters                  | 1,33.24             | 1983-2003                          | Custom Excise Service Tax Appellate Tribunal, Delhi                                      |
| The Central Excise Act, 1944 | Valuation cases and other matters                  | 0.49                | 1991                               | Commissioner of Central Excise (Appeal), Chennai   |
| The Central Excise Act, 1944 | Valuation cases, refund of duty and other matters  | 2,03.82             | 1995-2006                          | Commissioner/Additional/Deputy/ Assistant Commissioner of Central Excise, Various States |
| <b>Sub Total (A)</b>         |  | <b>45,11.93</b>     |                                    |  |
| <b>SERVICE TAX</b>           |  |                     |                                    |  |
| The Finance Act, 1944        | Availment of service tax on outward transportation | 19.19               | 2005-07                            | Custom Excise Service Tax Appellate Tribunal, Delhi                                      |
| <b>Sub Total (B)</b>         |  | <b>19.19</b>        |                                    |  |



| Name of the Statute   | Nature of dues   | Amount (Rs. Lacs) # | Period to which the amount relates | Forum where the dispute is pending              |
|---|--|---------------------|------------------------------------|---|
| <b>SALES TAX</b>  |  |                     |                                    |   |
| As per the statute applicable in the state of Tamil Nadu & Andhra Pradesh   | Turnover tax on milk and additions on account of concessional rates of tax | 8,91.23             | 1990-2012                          | At High Courts of Andhra Pradesh and Tamil Nadu |
| As per the statute applicable in the state of Chhattisgarh, Uttar Pradesh, Assam, Maharashtra, West Bengal, Orissa and Andhra Pradesh | Additions on account of freebies and other disallowances                   | 1,15.46             | 1998-2007                          | Sales Tax Appellate Tribunal/ Revenue Board     |
| As per the statute applicable to Orissa, West Bengal, Madhya Pradesh, Maharashtra, Chhattisgarh, UP, Punjab and Kerala                | Miscellaneous Demands  | 43.76               | 1999-2009                          | First Appellate Authorities at various levels   |
| As per the statute applicable to Punjab, Andhra Pradesh, Delhi, Rajasthan, Uttar Pradesh, Assam and West Bengal                       | Miscellaneous Demands  | 30.32               | 2001-2010                          | Adjudication Level                              |
| <b>Sub Total (C)</b>  |  | <b>10,80.77</b>     |                                    |   |
| <b>INCOME TAX</b>   |  |                     |                                    |   |
| The Income Tax Act, 1961  | Additions to Income Tax  | 1,32,56.30          | 2006-08                            | Income Tax Appellate Tribunal                   |
| <b>Sub Total (D)</b>  |  | <b>1,32,56.30</b>   |                                    |   |
| <b>Grand Total (A+B+C+D)</b>  |  | <b>1,88,68.18</b>   |                                    |   |

The above details exclude appeals made by the Department to higher appellate authorities as there is no stay on the order (s) passed by lower appellate authorities in favour of the Company and the amount is not ascertainable

# includes interest and penalty amounts as specified in the demand order

- x. The Company has no accumulated losses as at December 31, 2012 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.
- xvi. The Company has not obtained any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
- xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
- xxii. The other clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

Usha Rajeev  
Partner

Membership Number:  
F 087191

Place : Gurgaon  
Dated : February 15, 2013

# Balance Sheet

As at December 31, 2012

|                                  | Note<br>Ref | As at<br>December 31,<br>2012<br>(Rs. Lacs) | As at<br>December 31,<br>2011<br>(Rs. Lacs) |
|----------------------------------|-------------|---|---|
| <b>I. EQUITY AND LIABILITIES</b> |             |   |   |
| <b>Shareholders' funds</b>       |             |   |   |
| Share capital                    | 2           | 42,05.55                                    | 42,05.55                                    |
| Reserves and surplus             | 3           | 13,18,92.19                                 | 11,02,11.71                                 |
|                                  |             | <u>13,60,97.74</u>                          | <u>11,44,17.26</u>                          |
| <b>Non-current liabilities</b>   |             |   |   |
| Other long-term liabilities      | 4           | 11,48.31                                    | 9,96.68                                     |
| Long-term provisions             | 5           | 76,79.68                                    | 50,75.97                                    |
|                                  |             | <u>88,27.99</u>                             | <u>60,72.65</u>                             |
| <b>Current liabilities</b>       |             |   |   |
| Trade payables                   | 6           | 4,78,43.75                                  | 3,59,36.86                                  |
| Other current liabilities        | 7           | 3,51,48.92                                  | 2,94,26.58                                  |
| Short-term provisions            | 8           | 2,75,30.79                                  | 2,23,92.32                                  |
|                                  |             | <u>11,05,23.46</u>                          | <u>8,77,55.76</u>                           |
| <b>TOTAL</b>                     |             | <u><u>25,54,49.19</u></u>                   | <u><u>20,82,45.67</u></u>                   |
| <b>II. ASSETS</b>                |             |   |   |
| <b>Non-current assets</b>        |             |   |   |
| <b>Fixed Assets</b>              |             |   |   |
| Tangible assets                  | 9           | 1,93,83.23                                  | 2,00,68.94                                  |
| Capital work-in-progress         |             | 1,97,23.86                                  | 1,49,15.79                                  |
| Deferred tax assets (net)        | 10          | 61,62.63                                    | 39,88.97                                    |
| Long-term loans and advances     | 11          | 44,66.38                                    | 50,42.76                                    |
|                                  |             | <u>4,97,36.10</u>                           | <u>4,40,16.46</u>                           |
| <b>Current assets</b>            |             |   |   |
| Inventories                      | 12          | 3,69,63.55                                  | 3,69,95.58                                  |
| Trade receivables                | 13          | 1,12,61.44                                  | 99,19.07                                    |
| Cash and bank balances           | 14          | 14,64,24.26                                 | 10,79,65.44                                 |
| Short-term loans and advances    | 15          | 66,80.58                                    | 60,03.28                                    |
| Other current assets             | 16          | 43,83.26                                    | 33,45.84                                    |
|                                  |             | <u>20,57,13.09</u>                          | <u>16,42,29.21</u>                          |
| <b>TOTAL</b>                     |             | <u><u>25,54,49.19</u></u>                   | <u><u>20,82,45.67</u></u>                   |

This is the Balance Sheet referred to in our report of even date.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

S.J. Scarff  
Chairman

Ramakrishnan Subramanian  
Mukesh H. Butani  
Directors

Usha Rajeev  
Partner  
Membership No.: F 087191

Zubair Ahmed  
Managing Director

Surinder Kumar  
Company Secretary

Place : Gurgaon  
Dated : February 15, 2013

The notes referred to above form an integral part of the Financial Statements



# Profit And Loss Account

## For the year ended December 31, 2012

|  | Note Ref | Year ended<br>December 31,<br>2012<br>(Rs. Lacs) | Year ended<br>December 31,<br>2011<br>(Rs. Lacs) |
|--|----------|--|--|
| <b>INCOME</b>  |          |  |  |
| Revenue from operations (Gross)  | 17       | <b>33,66,97.01</b>                               | 29,11,59.40                                      |
| Less: Excise duty  |          | <b>1,79,47.65</b>                                | 1,46,58.95                                       |
| <b>Revenue from operations (Net)</b>   |          | <b>31,87,49.36</b>                               | 27,65,00.45                                      |
| Other income   | 18       | <b>1,13,78.58</b>                                | 85,25.21   |
| <b>Total Revenue</b>   |          | <b>33,01,27.94</b>                               | 28,50,25.66                                      |
| <b>EXPENSES</b>  |          |  |  |
| Cost of materials consumed   | 19       | <b>10,19,89.18</b>                               | 9,29,73.90                                       |
| Purchases of stock-in-trade  |          | <b>1,46,42.99</b>                                | 1,34,32.98                                       |
| Changes in inventories of finished goods,<br>work-in-progress and stock-in-trade | 20       | <b>(14,47.47)</b>                                | (44,00.07)                                       |
| Employee benefits expense  | 21       | <b>3,01,11.95</b>                                | 2,58,36.56                                       |
| Finance costs  | 22       | <b>2,42.33</b>                                   | 3,46.64  |
| Depreciation and amortization expense  | 9        | <b>36,08.37</b>                                  | 45,97.56   |
| Other expenses   | 23       | <b>11,61,11.74</b>                               | 9,82,11.96                                       |
| <b>Total expenses</b>  |          | <b>26,52,59.09</b>                               | 23,09,99.53                                      |
| <b>Profit before exceptional and extraordinary items and tax</b>                 |          | <b>6,48,68.85</b>                                | 5,40,26.13                                       |
| Exceptional items  |          | -  | -  |
| <b>Profit before extraordinary items and tax</b>                                 |          | <b>6,48,68.85</b>                                | 5,40,26.13                                       |
| Extraordinary items  |          | -  | -  |
| <b>Profit before tax</b>   |          | <b>6,48,68.85</b>                                | 5,40,26.13                                       |
| <b>Tax expense</b>   |          |  |  |
| Current tax  |          | <b>2,33,70.05</b>                                | 1,91,56.00                                       |
| Deferred tax credit  |          | <b>(21,73.66)</b>                                | (13,15.51)                                       |
| Adjustments relating to previous years (net)                                     |          | <b>(3.12)</b>                                    | 6,64.95  |
| <b>Net current tax expense</b>   |          | <b>2,11,93.27</b>                                | 1,85,05.44                                       |
| [Refer Note 1.11 & 10]   |          |  |  |
| <b>Profit/(loss) for the period</b>  |          | <b>4,36,75.58</b>                                | 3,55,20.69                                       |
| <b>Earnings per equity share (Rs.)</b>   | 35       | <b>103.85</b>                                    | 84.46  |
| <b>[Nominal value of Rs. 10 each]</b>  |          |  |  |
| Basic and Diluted  |          |  |  |

This is the Profit And Loss Account referred to in our report of even date.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

S.J. Scarff  
Chairman

Usha Rajeev  
Partner  
Membership No.: F 087191

Zubair Ahmed  
Managing Director

The notes referred to above form an integral part of the Financial Statements

Ramakrishnan Subramanian  
Mukesh H. Butani  
Directors

Surinder Kumar  
Company Secretary

Place : Gurgaon  
Dated : February 15, 2013

# Cash Flow Statement

For the year ended December 31, 2012

|   | Year ended<br>December 31,<br>2012<br>(Rs. Lacs) | Year ended<br>December 31,<br>2011<br>(Rs. Lacs) |
|---|--|--|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                                   |  |  |
| PROFIT BEFORE TAX   | <b>648,68.85</b>                                 | 540,26.13  |
| Add :   |  |  |
| Depreciation and amortization expense   | <b>36,08.37</b>                                  | 45,97.56   |
| Provision for doubtful debts  | <b>1,88.06</b>                                   | -  |
| Provision for doubtful other current assets                                     | <b>74.90</b>                                     | 32.94  |
| Provision for stock obsolescence  | <b>8,35.63</b>                                   | 13,18.17   |
| Interest expense  | <b>2,42.33</b>                                   | 3,46.64  |
| Loss on fixed assets retired from active use                                    | <b>15.38</b>                                     | 81.04  |
| Less :  |  |  |
| Interest income   | <b>(98,89.37)</b>                                | (70,21.57)                                       |
| Release of accruals   | <b>(5,84.51)</b>                                 | (6,81.80)  |
| Profit on sale of fixed assets (net)  | <b>(73.34)</b>                                   | (2.07)   |
| Operating Profit Before Working Capital Changes                                 | <b>592,86.30</b>                                 | 526,97.04  |
| Add/(Less): Changes in Working Capital  |  |  |
| Increase / (Decrease) in trade payables   | <b>119,06.89</b>                                 | 91,59.43   |
| Increase / (Decrease) in provisions   | <b>36,86.82</b>                                  | 22,49.20   |
| Increase / (Decrease) in other current liabilities                              | <b>67,40.49</b>                                  | 82,94.74   |
| Increase / (Decrease) in other long term liabilities                            | <b>1,51.63</b>                                   | 4,81.31  |
| (Increase) / Decrease in trade receivables                                      | <b>(15,30.43)</b>                                | (48,82.43)                                       |
| (Increase) / Decrease in inventories  | <b>(8,03.60)</b>                                 | (71,13.69)                                       |
| (Increase) / Decrease in short-term loans and advances                          | <b>(12,30.22)</b>                                | (27,99.91)                                       |
| (Increase) / Decrease in long-term loans and advances                           | <b>2,17.15</b>                                   | (4,34.66)  |
| (Increase) / Decrease in other current assets                                   | <b>(5,71.53)</b>                                 | (4,84.79)  |
| Cash Generated from Operations  | <b>778,53.50</b>                                 | 571,66.24  |
| Less: Taxes paid (net of refunds) [excludes tax deducted at source on interest] | <b>(2,24,20.34)</b>                              | (1,80,93.31)                                     |
| <b>Net Cash flow from Operating Activities</b>                                  | <b>554,33.16</b>                                 | 390,72.93  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                                   |  |  |
| Purchase of Fixed Assets/Additions to Capital Work in Progress                  | <b>(83,73.76)</b>                                | (97,80.06)                                       |
| Sale proceeds of Fixed Assets   | <b>1,85.61</b>                                   | 2,55.39  |
| Interest Received (Net of TDS)  | <b>87,13.80</b>                                  | 55,55.88   |
| Investments in Fixed Deposits   | <b>(24,98,50.00)</b>                             | (22,77,00.00)                                    |
| Redemption of Fixed Deposits  | <b>(21,16,00.00)</b>                             | 21,91,50.00                                      |
| Adjustment to reserves for Dividend Tax   |  |  |
| <b>Net Cash flow from Investing Activities</b>                                  | <b>(3,77,24.35)</b>                              | (1,25,18.79)                                     |



|  | <b>Year ended<br/>December 31,<br/>2012<br/>(Rs. Lacs)</b> | Year ended<br>December 31,<br>2011<br>(Rs. Lacs) |
|--|--|--|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>  |  |  |
| Interest Paid  | <b>(4,40.05)</b>   | (2,85.56)  |
| Dividend Paid  | <b>(1,47,19.45)</b>  | (2,10,27.77)                                     |
| Dividend Tax Paid  | <b>(23,87.86)</b>  | (34,92.45)                                       |
| <b>Net cash flow from Financing Activities</b>   | <b>(1,75,47.36)</b>  | (2,48,05.78)                                     |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>  | <b><u>1,61.45</u></b>                                      | <u>17,48.36</u>                                  |
| <b>*Cash and Cash Equivalents at the beginning of the year</b>   |  |  |
| Cash and Bank Balances [including exchange fluctuation (gain)/loss<br>Rs. (0.93) Lacs (Previous Year Rs. (0.63) Lacs)] | <b>53,37.94</b>  | 35,89.58   |
| <b>*Cash and Cash Equivalents at the end of the year</b>   |  |  |
| Cash and Bank Balances [including exchange fluctuation (gain)/loss<br>Rs. 1.85 Lacs (Previous Year Rs. (0.93) Lacs)]   | <b><u>54,99.39</u></b>                                     | <u>53,37.94</u>                                  |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>  | <b><u><u>1,61.45</u></u></b>                               | <u><u>17,48.36</u></u>                           |

\* Refer Note 14

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement.
2. Previous Year's figures have been regrouped wherever necessary to conform to the current year's classification.

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

S.J. Scarff  
*Chairman*

Ramakrishnan Subramanian  
Mukesh H. Butani  
*Directors*

Usha Rajeev  
*Partner*  
Membership No.: F 087191

Zubair Ahmed  
*Managing Director*

Surinder Kumar  
*Company Secretary*

Place : Gurgaon  
Dated: February 15, 2013



# Notes to the Financial Statements for the year ended December 31, 2012

## Note 1: SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

### 1.2 Tangible Assets

All tangible fixed assets are stated at acquisition cost less accumulated depreciation. Cost includes all incidental expenditure net of CENVAT wherever applicable. Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

The Company follows the Straight Line Method of charging depreciation, on all its tangible fixed assets, on a pro-rata basis except for assets costing less than and upto Rs.5,000 which are fully depreciated in the year of purchase. The Company has provided depreciation at higher of the rates determined by the management or those specified in Schedule XIV to the Companies Act, 1956. The depreciation rates which are different from the principal rates specified in Schedule XIV to the Companies Act, 1956 are as follows : -

(Rates in Percentages)

|   | Assets acquired after December 31, 1994 | Assets acquired after April 30, 1986 but up to December 31, 1994 | Assets acquired after March 31, 1983 but up to April 30, 1986 | Assets acquired up to March 31, 1983 |
|---|---|--|---|--------------------------------------|
| <b>Buildings</b>  |   |  |   |                                      |
| - Factory   | -                                       | -  | 3.5   | 2/3.5/5.5                            |
| - Non - factory   | 2 / 6.67                                | 2  | 2   | 2/2.5                                |
| - Tubewells   | 10                                      | 10   | 10  | 10/100                               |
| <b>Plant and Machinery</b>  |   |  |   |                                      |
| - Triple Shift  | 12.5                                    | 12.5   | -   | -                                    |
| - Double Shift  | 10/12.5                                 | 10/12.5  | -   | -                                    |
| - Single Shift  | 10/12.5/20/33.33                        | 10/12.5  | -   | -                                    |
| <b>Information Technology Equipment (including Computer Software acquired for internal use)</b> | 20/25/33.33                             | 25   | 25  | 25                                   |
| <b>Motor Vehicles</b>   | 14.28/20                                | 14.28/20   | 14.28/20  | 14.28/20/25                          |
| <b>Furniture and Fittings</b>   | 10/20                                   | 10/20  | 10/20   | 10/20                                |
| <b>Office Equipment</b>   | 10/12.5                                 | 10   | 10  | 10                                   |

Leasehold improvements are charged to the Profit and Loss Account over the primary period of lease.

### 1.3 Intangible Assets

Patents and Trade Marks (Intangible Assets) are accounted at their cost of acquisition and amortized on a straight line basis over their estimated economic life not exceeding ten years. A rebuttable presumption that the useful life

of an intangible asset will not exceed ten years from the date when the asset is available for use is considered by the management. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly. Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

#### 1.4. Impairment

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

#### 1.5. Foreign Currency Translation

Transactions in Foreign Exchange are accounted for at the exchange rates prevailing on the date of the transaction. The exchange differences arising out of the settlements, including those on liabilities relating to fixed assets are dealt with in the Profit and Loss Account. Monetary assets and liabilities are restated at the year-end rates and the resultant gains or losses are recognized in the Profit and Loss account.

#### 1.6 Inventories

Inventories are valued at lower of cost and net realizable value, except for ghee, a by-product, which is valued at net realizable value. Cost is determined on the basis of the weighted average method. It includes all the appropriate allocable overheads and excise duty wherever applicable. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Provision for inventory obsolescence is made based on the best estimates of management.

#### 1.7 Research and Development

The revenue expenditure is charged against the profits for the year in which it is incurred. Capital expenditure is accounted in the same way as fixed assets.

#### 1.8 Employee Benefits

**Superannuation Fund:** The Company has a Defined Contribution plan for post employment benefit which is recognized by the income tax authorities. This fund is administered through trustees and the Company's contribution thereto is charged to revenue every year.

The Company's contributions to State plans namely Employee's State Insurance Fund and Employee's Pension Scheme 1995 are charged to revenue every year.

**Gratuity:** The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. The Gratuity Fund is recognized by the income tax authorities and is administered through trustees.

**Provident Fund:** In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. The Provident Fund is recognized by the income tax authorities and is administered through trustees. In respect of contributions made to government administered Provident Fund, the Company has no further obligations beyond its monthly contributions.

Compensated Absences: The Company provides for compensated absences for management, executive and staff (short-term defined benefit) during the year on an arithmetical basis. Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits.

Accumulated leave encashment/compensated absences for workers, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year.

Post-employment medical assistance: This post-employment medical assistance scheme is an insured benefit plan wherein the Company annually pays insurance premium to NIC (National Insurance Company) and the liability for future premiums in respect of the underlying benefits is determined on the basis of an actuarial valuation at the year end. This scheme is extended to certain employees of the Company for which the liability is determined on the basis of an actuarial valuation at the end of the year.

Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

Termination Benefits are recognised as an expense immediately.

## 1.9 Revenue Recognition

Sales comprise of value of sale of goods (net of returns/estimated returns) excluding sales tax and trade discounts but including excise duty. Sales are recognized when the substantial risks and rewards of ownership in the goods are transferred to the buyer. Insurance and other Claims are recognized on an accrual basis. Dividend income is accounted for in the year in which the right to receive the same is established. Interest on Investments is recognized on a time proportion basis taking into account the amounts invested and the fixed rate of interest.

The Company recovers Business Auxiliary Service Commission from certain related Companies for the selling and distribution of the latter's products in accordance with the recommendations of an independent study which was accepted under an agreement by the parties. Further, the Company also recovers the employee benefit cost in respect of employees seconded by it to Group companies.

## 1.10 Taxation

Tax expense/(saving) is the aggregate of current year tax and deferred tax charged/(credited) to the Profit and Loss Account for the year.

### (i) Current Tax

Provision for taxation is based on assessable profits of the Company as determined under the Income Tax Act, 1961. The Company also provides for such disallowances made on completion of assessments pending appeals, as considered appropriate depending on the merits of each case. Provision for taxation for the Company's financial year ended December 31, 2012 has been determined based on the results for 3 months ended March 31, 2012 (Assessment Year 2012-13) and for the 9 months ended December 31, 2012 (Assessment Year 2013-14). The ultimate liability for the Assessment Year 2013-2014, however, will be determined on the total income of the Company for the year ending on March 2013.

### (ii) Deferred Tax

Deferred tax assets & liabilities resulting from timing differences between book profits and tax profits are accounted for under the liability method and measured at substantially enacted rates of tax at the Balance Sheet date to the extent that there is reasonable/virtual certainty that sufficient future taxable income will be available against which such deferred tax asset/liability can be realized. At each Balance Sheet date, the Company re-assesses unrecognised deferred tax assets, if any.

### (iii) Fringe Benefits Tax

Provision for Fringe Benefits Tax is made in respect of employee benefits and other specified expenses as determined under the Income Tax Act, 1961.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

### 1.11 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other interest costs are charged against the profits for the year in which it is incurred.

### 1.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals in respect of operating leases are charged to the Profit and Loss Account on a straight line basis over the term of the lease.

### 1.13 Provisions and Contingent Liabilities

**Provisions:** Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

**Contingent Liabilities:** Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

### 1.14 Segment Reporting

Nutritional business is India focused and in a single business and geographical segment. Accordingly, Segment information is not required to be disclosed pursuant to Accounting Standard 17 'Segment Reporting'.

### 1.15 Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

### 1.16 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period after deducting preference dividends and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

## Note 2: SHARE CAPITAL\*

|  | <b>As at<br/>December 31, 2012<br/>(Rs. Lacs)</b> | <b>As at<br/>December 31, 2011<br/>(Rs. Lacs)</b> |
|--|---|---|
| <b>Authorised:</b>   |   |   |
| 6,00,00,000 Equity Shares of Rs. 10 each   | <u>60,00.00</u>                                   | <u>60,00.00</u>                                   |
| <b>Issued, Subscribed and Paid-up:</b>   |   |   |
| 4,20,55,538 (Previous Year 4,20,55,538) Equity Shares of Rs. 10 each fully paid up | <u>42,05.55</u>                                   | <u>42,05.55</u>                                   |
|  | <u>42,05.55</u>                                   | <u>42,05.55</u>                                   |

**(A) Shares held by Ultimate Holding Company and its Subsidiaries**

1,81,52,243 (previous year: 1,81,52,243) Equity Shares are held by Horlicks Limited, a subsidiary of GlaxoSmithKline Plc UK, the Ultimate Holding Company

**(B) Reconciliation of Equity Shares outstanding**

| Particulars                               | As at<br>December 31, 2012 |            | As at<br>December 31, 2011 |            |
|---|----------------------------|------------|----------------------------|------------|
|   | No. of Shares              | (Rs. Lacs) | No. of Shares              | (Rs. Lacs) |
| Balance at the beginning of the year      | 4,20,55,538                | 42,05.55   | 4,20,55,538                | 42,05.55   |
| Add : Shares issued during the year       | -                          | -          | -                          | -          |
| Less : Shares bought back during the year | -                          | -          | -                          | -          |
| Balance at the end of the year            | 4,20,55,538                | 42,05.55   | 4,20,55,538                | 42,05.55   |

**(C) Details of shareholders having more than 5% of the aggregate shares in the Company**

| Name of Shareholder                               | As at<br>December 31, 2012 |            | As at<br>December 31, 2011 |            |
|---|----------------------------|------------|----------------------------|------------|
|   | No. of Shares held         | (Rs. Lacs) | No. of Shares held         | (Rs. Lacs) |
| Horlicks Limited                                  | 1,81,52,243                | 43.16%     | 1,81,52,243                | 43.16%     |
| Arisaig Partners (Asia) Pte Ltd A/c Arisaig India | 21,06,101                  | 5.01%      | 21,06,101                  | 5.01%      |

**(D) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held.

\* Refer Note 34

**Note 3: RESERVES AND SURPLUS**

|   | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|---|--|--|
| <b>General Reserve</b>                          |  |  |
| Opening balance                                 | 8,04,28.21                               | 7,68,76.14                               |
| Add: current year transfer                      | 43,67.56                                 | 35,52.07                                 |
| Closing balance                                 | 8,47,95.77                               | 8,04,28.21                               |
| <b>Capital Redemption Reserve*</b>              | 3,32.51                                  | 3,32.51                                  |
| <b>Surplus in Statement of Profit and Loss</b>  |  |  |
| Opening balance                                 | 2,94,50.99                               | 1,45,89.67                               |
| Profit for the year                             | 4,36,75.58                               | 3,55,20.69                               |
| Less : Appropriations                           |  |  |
| Proposed Dividend on Equity Shares for the year | (1,89,24.99)                             | (1,47,19.44)                             |
| Dividend distribution tax on Proposed Dividend  | (30,70.11)                               | (23,87.86)                               |
| Transfer to General Reserve                     | (43,67.56)                               | (35,52.07)                               |
| <b>Closing balance</b>                          | 4,67,63.91                               | 2,94,50.99                               |
| <b>Total</b>                                    | 13,18,92.19                              | 11,02,11.71                              |

\* 33,25,083 Equity Shares of Rs. 10 each fully paid were bought back by capitalisation of reserve Rs 3,32.51 Lacs in the year 2005.

**Note 4: OTHER LONG TERM LIABILITIES\***

|                               | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|-------------------------------|--|--|
| Employee benefits payable     | 11,48.31                                 | 9,60.22                                  |
| Other contractual liabilities | -  | 36.46                                    |
| <b>Total</b>                  | <b>11,48.31</b>                          | <b>9,96.68</b>                           |

\* Refer Note 1.8 & 21

**Note 5: LONG TERM PROVISIONS\***

|                                    |                 |                 |
|------------------------------------|-----------------|-----------------|
| Provision for employee benefits    | 31,98.97        | 25,03.12        |
| Other provisions :-                |                 |                 |
| Provision for Indirect tax matters | 20,41.27        | 17,86.21        |
| Miscellaneous provisions           | 24,39.44        | 7,86.64         |
| <b>Total</b>                       | <b>76,79.68</b> | <b>50,75.97</b> |

\* Refer Note 1.8, 1.13, 21 & 25

**NOTE 6: TRADE PAYABLES**

|   |                   |                   |
|---|-------------------|-------------------|
| Total outstanding dues of micro and small enterprises         | 20,45.22          | 12,84.08          |
| Total outstanding dues other than micro and small enterprises | 4,57,98.53        | 3,46,52.78        |
| <b>Total</b>  | <b>4,78,43.75</b> | <b>3,59,36.86</b> |

There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006). The information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. Further, no interest during the year has been paid or is payable under the terms of the MSMED Act, 2006.

**NOTE 7: OTHER CURRENT LIABILITIES\***

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Unclaimed dividend            | 2,24.87           | 1,77.51           |
| Other payables                |                   |                   |
| Employee benefits payable     | 51,62.72          | 45,79.29          |
| Advances from customers       | 8,71.40           | 7,40.51           |
| Payables to related parties   | 16,40.04          | 31,21.98          |
| Statutory dues                | 1,67,98.12        | 1,15,92.68        |
| Trade security deposits       | 56,08.54          | 43,85.75          |
| Capital creditors             | 21,88.41          | 30,56.20          |
| Unclaimed cheques / DD's      | 32.36             | 1,02.11           |
| Other contractual liabilities | 26,22.46          | 16,70.55          |
| <b>Total</b>                  | <b>3,51,48.92</b> | <b>2,94,26.58</b> |

\*Refer Note 1.8 & 25

Statutory dues include provisions towards disputed indirect taxes aggregating Rs. 1,07,09.31 Lacs (Previous year Rs. 71,57.63 Lacs), which have been created basis legal advice obtained by the Company and merits of the case.

**NOTE 8: SHORT-TERM PROVISIONS\***

|                                 | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|---------------------------------|--|--|
| Provision for employee benefits | 8,70.54                                  | 8,26.88                                  |
| Other provisions:               |  |  |
| Proposed final dividend         | 1,89,24.99                               | 1,47,19.44                               |
| Corporate dividend tax          | 30,70.11                                 | 23,87.86                                 |
| FBT provisions                  | -  | 2,47.93                                  |
| Miscellaneous provisions        | 46,65.15                                 | 42,10.21                                 |
| <b>Total</b>                    | <b>2,75,30.79</b>                        | <b>2,23,92.32</b>                        |

\*Refer Note 1.8, 1.10, 1.13, 21 &amp; 25

**NOTE 9: FIXED ASSETS \***

(Rs. Lacs)

|                                       | GROSS BLOCK                         |                                    |  |                                       | DEPRECIATION / AMORTIZATION |                         |  |                              | NET BLOCK                     |                               |
|---------------------------------------|-------------------------------------|------------------------------------|--|---------------------------------------|-----------------------------|-------------------------|--|------------------------------|-------------------------------|-------------------------------|
|                                       | Cost<br>As at<br>January<br>1, 2012 | Additions<br>during<br>the<br>Year | Deletions /<br>Adjustments<br>during<br>the Year | Cost<br>As at<br>December<br>31, 2012 | Upto<br>January<br>1, 2012  | During<br>the Year<br># | Deletions /<br>Adjustments<br>during<br>the Year | Upto<br>December<br>31, 2012 | As at<br>December<br>31, 2012 | As at<br>December<br>31, 2011 |
| <b>Tangible Assets</b>                |                                     |                                    |  |                                       |                             |                         |  |                              |                               |                               |
| Land (Freehold)                       | 14,83.35                            | -                                  | -  | 14,83.35                              | -                           | -                       | -  | -                            | 14,83.35                      | 14,83.35                      |
| Buildings***                          | 100,28.76                           | 2,30.53                            | -  | 102,59.29                             | 29,90.47                    | 3,11.03                 | -  | 33,01.50                     | 69,57.79                      | 70,38.29                      |
| Plant & Equipment** o                 | 383,98.55                           | 16,34.82                           | 4,83.27  | 395,50.10                             | 291,29.17                   | 25,74.71                | 4,69.30  | 312,34.58                    | 83,15.52                      | 92,69.38                      |
| Information Technology<br>Equipment o | 25,49.66                            | 6,18.39                            | 1,59.99  | 30,08.06                              | 15,44.40                    | 3,27.73                 | 1,58.87  | 17,13.26                     | 12,94.80                      | 10,05.26                      |
| Furniture & Fixtures                  | 12,30.85                            | 1,15.88                            | 84.14  | 12,62.59                              | 9,29.73                     | 64.03                   | 73.72  | 9,20.04                      | 3,42.55                       | 3,01.12                       |
| Office Equipment o                    | 14,29.48                            | 59.83                              | 75.56  | 14,13.75                              | 11,30.48                    | 80.71                   | 68.91  | 11,42.28                     | 2,71.47                       | 2,99.00                       |
| Vehicles                              | 10,81.70                            | 1,46.84                            | 2,76.22  | 9,52.32                               | 4,54.10                     | 1,70.20                 | 1,96.11  | 4,28.19                      | 5,24.13                       | 6,27.60                       |
| Leasehold Improvements                | 8,22.22                             | 2,30.28                            | -  | 10,52.50                              | 7,77.28                     | 81.60                   | -  | 8,58.88                      | 1,93.62                       | 44.94                         |
| Tangible Assets (A)                   | 570,24.57                           | 30,36.57                           | 10,79.18   | 589,81.96                             | 3,69,55.63                  | 36,10.01                | 9,66.91  | 3,95,98.73                   | 193,83.23                     | 200,68.94                     |
| <b>Intangible Assets</b>              |                                     |                                    |  |                                       |                             |                         |  |                              |                               |                               |
| Patents and Trade Marks***            | 66,41.72                            | -                                  | -  | 66,41.72                              | 66,41.72                    | -                       | -  | 66,41.72                     | -                             | -                             |
| Intangible Assets (B)                 | 66,41.72                            | -                                  | -  | 66,41.72                              | 66,41.72                    | -                       | -  | 66,41.72                     | -                             | -                             |
| Total (A) + (B)                       | 636,66.29                           | 30,36.57                           | 10,79.18   | 656,23.68                             | 435,97.35                   | 36,10.01                | 9,66.91  | 462,40.45                    | 193,83.23                     | 200,68.94                     |
| Previous Year                         | 598,96.21                           | 46,99.88                           | 9,29.81  | 636,66.28                             | 396,71.00                   | 46,02.83                | 6,76.49  | 435,97.34                    | -                             | -                             |
| Capital Work in Progress****          |                                     |                                    |  |                                       |                             |                         |  |                              | 197,23.86                     | 149,15.79                     |
|                                       |                                     |                                    |  |                                       |                             |                         |  |                              | 391,07.09                     | 349,84.73                     |

# Includes Depreciation amounting to Rs. 1.64 Lacs (Previous Year Rs. 5.27 Lacs) on assets used for Capital Project transferred to CWIP

o Includes assets retired from active use, being carried at their estimated realisable value aggregating to Rs. 14.21 Lacs (Previous Year Rs. 20.97 Lacs).

\*\*\*\* Net of Provision for Capital Work in Progress aggregating Rs. 252.4 Lacs (Previous Year 251.39 lacs).

\*\* Includes Rs. 64.50 Lacs (Previous Year Rs. 64.50 Lacs) paid to State Electricity Board for electrical installations not represented by physical assets owned by the Company and depreciated over a period of 5 years.

\*\*\* Includes Dwelling Units valuing Rs 1,23.95 Lacs (Previous Year Rs 1,23.95 Lacs) and Patents and Trade Marks valuing Rs. 66,41.72 Lacs (Previous Year Rs. 66,41.72 Lacs) for which registration is awaited.

\* Refer Note 1.2, 1.11 &amp; 1.4 to 1.5

**NOTE 10: DEFERRED TAX ASSETS (NET)\***

(Rs. Lacs)

| Deferred Tax Liability / (Asset)                 | Balance as at      |                    | Charge/(Credit)                    |                                    | Balance as at        |                      |
|--|--------------------|--------------------|------------------------------------|------------------------------------|----------------------|----------------------|
|  | January<br>1, 2012 | January<br>1, 2011 | Year ended<br>December<br>31, 2012 | Year ended<br>December<br>31, 2011 | December<br>31, 2012 | December<br>31, 2011 |
| Depreciation/Amortization                        | 7,89.81            | 11,53.30           | (1,06.90)                          | (3,63.49)                          | 6,82.91              | 7,89.81              |
| Section 43B Disallowances                        | (29,66.95)         | (22,85.22)         | (12,76.29)                         | (6,81.73)                          | (42,43.24)           | (29,66.95)           |
| VRS  | (80.38)            | (1,51.26)          | 45.36                              | 70.88                              | (35.02)              | (80.38)              |
| Provision for Doubtful Debts                     | (79.65)            | (85.82)            | (72.85)                            | 6.17                               | (1,52.50)            | (79.65)              |
| Other Disallowances                              | (16,51.80)         | (13,04.46)         | (7,62.98)                          | (3,47.34)                          | (24,14.78)           | (16,51.80)           |
| <b>Deferred Tax Liability/<br/>(Asset) (net)</b> | <b>(39,88.97)</b>  | (26,73.46)         | <b>(21,73.66)</b>                  | (13,15.51)                         | <b>(61,62.63)</b>    | (39,88.97)           |

\*Refer Note 1.10 (ii)

**NOTE 11: LONG-TERM LOANS AND ADVANCES**

|  | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|--|--|--|
| <b>A. Secured, considered good</b>                                   |  |  |
| Vehicle loans to employees   | 2,19.92                                  | 2,61.65                                  |
| <b>B. Unsecured, considered good (unless otherwise stated)</b>       |  |  |
| Capital advances   | 18,38.45                                 | 21,90.86                                 |
| Security deposits  | 17,10.72                                 | 15,91.02                                 |
| Other loan and advances  |  |  |
| - Advances to suppliers  | 31.76                                    | 31.76                                    |
| - Balance with government authorities                                | 18.58                                    | 1,70.42                                  |
| - Loans and advances to employees                                    | 4,94.33                                  | 6,35.24                                  |
| - Prepaid expenses   | 4.55                                     | 6.92                                     |
| - Advance income tax   | 1,48.07                                  | 1,54.89                                  |
| (Net of Provisions - CY Rs. 9,81,29.94 Lacs, PY Rs. 7,78,19.94 Lacs) |  |  |
| <b>Total</b>   | <b>44,66.38</b>                          | <b>50,42.76</b>                          |

**NOTE 12: INVENTORIES\***

|   |                   |                   |
|---|-------------------|-------------------|
| Raw materials   | 69,38.18          | 82,81.70          |
| [Includes goods in transit Rs. 2,73.88 Lacs (previous year Rs. 2,28.84 Lacs)] |                   |                   |
| Packing materials   | 12,82.59          | 13,60.88          |
| [Includes goods in transit Rs. 37.83 Lacs (previous year Rs. 59.43 Lacs)]     |                   |                   |
| Work-in-progress  | 24,31.42          | 35,05.38          |
| Stock-in-trade ( in respect of goods acquired for trading )                   | 17,04.40          | 12,68.69          |
| Finished goods (including bulk powder)  | 2,33,69.45        | 2,12,98.45        |
| Stores and spares   | 11,65.17          | 12,22.86          |
| [Includes goods-in-transit Rs. 74.08 Lacs (previous year Rs. 1,40.92 Lacs)]   |                   |                   |
| By-products (at net realisable value)   | 72.34             | 57.62             |
| <b>Total</b>  | <b>3,69,63.55</b> | <b>3,69,95.58</b> |

\*Refer Note 1.6 &amp; 30



|  | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|--|--|--|
| <b>Details of Finished Goods &amp; By-product Inventory</b>                        |  |  |
| 1. Malt based foods  | 2,05,09.35                               | 1,90,62.47                               |
| 2. Cereal based beverage   | 15,81,91                                 | 14,00.83                                 |
| 3. Protien rich foods  | 9,59,.65                                 | 6,57.81                                  |
| 4. Nutritional food powder   | 1,74.47                                  | 22.11                                    |
| 5. Packaged foods  | 1,44.07                                  | 1,55.23                                  |
| Total (1+2+3+4+5)  | <u>2,33,69.45</u>                        | <u>2,12,98.45</u>                        |
| 6. Ghee  | 72.34                                    | 57.62                                    |
| <b>Total</b>   | <u><u>2,34,41.79</u></u>                 | <u><u>2,13,56.07</u></u>                 |
| <b>NOTE 13: TRADE RECEIVABLES</b>  |  |  |
| Outstanding for a period exceeding 6 months from the date they are due for payment |  |  |
| Secured, considered good   | 32.52                                    | 23.28                                    |
| Unsecured, considered good   | 72.60                                    | 1,14.62                                  |
| Doubtful   | 4,19.56                                  | 2,45.50                                  |
| Less : Provision for Doubtful receivable   | <u>(4,19.56)</u>                         | <u>(2,45.50)</u>                         |
|  | 1,05.12                                  | 1,37.90                                  |
| Others   |  |  |
| Secured, considered good   | 42,08.65                                 | 20,43.37                                 |
| Unsecured, considered good   | 69,47.67                                 | 77,37.80                                 |
| Doubtful   | 50.46                                    | -  |
| Less : Provision for Doubtful receivable   | <u>(50.46)</u>                           | <u>-</u>                                 |
|  | <u>1,11,56.32</u>                        | <u>97,81.17</u>                          |
| <b>Total</b>   | <u><u>1,12,61.44</u></u>                 | <u><u>99,19.07</u></u>                   |
| <b>NOTE 14: CASH AND BANK BALANCES*</b>  |  |  |
| <b>Cash and Cash equivalents</b>   |  |  |
| Cheques on hand  | 1.24                                     | 34.16                                    |
| With Scheduled Banks:  |  |  |
| On current accounts  | 98.15                                    | 22,03.78                                 |
| On fixed deposit accounts  | 54,00.00                                 | 31,00.00                                 |
|  | <u>54,99.39</u>                          | <u>53,37.94</u>                          |
| <b>Other bank balances</b>   |  |  |
| With Scheduled Banks:  |  |  |
| On fixed deposit accounts  | 14,07,00.00                              | 10,24,50.00                              |
| On dividend accounts   | 2,24.87                                  | 1,77.50                                  |
|  | <u>14,09,24.87</u>                       | <u>10,26,27.50</u>                       |
| <b>Total</b>   | <u><u>14,64,24.26</u></u>                | <u><u>10,79,65.44</u></u>                |

\*Refer Note 1.15

**NOTE 15: SHORT TERM LOANS AND ADVANCES**

|   | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|---|--|--|
| <b>A. Secured, considered good</b>                                |  |  |
| Vehicle loans to employees  | 1,05.11                                  | 1,24.61                                  |
| <b>B. Unsecured, considered good (unless otherwise stated)</b>    |  |  |
| Security deposit  | 55.01                                    | 50.59                                    |
| Other loan and advances   |  |  |
| - Advances to Suppliers   |  |  |
| Considered good   | 22,84.34                                 | 18,71.35                                 |
| Considered doubtful   | 60.60                                    | 32.94                                    |
| Less: Provision for doubtful loans and advances                   | (60.60)                                  | (32.94)                                  |
| - Balance with government authorities                             |  |  |
| - With Excise authorities (PLA)                                   | 21.17                                    | 24.27                                    |
| - Others  | 15,95.22                                 | 18,22.95                                 |
| - Loans and advances to employees                                 | 8,22.95                                  | 6,79.01                                  |
| - Prepaid expenses  | 3,73.14                                  | 1,35.75                                  |
| - Advance income tax  | 14,23.64                                 | 12,94.75                                 |
| (Net of Provisions- CY Rs 1,58,98.66 Lacs, PY Rs 1,28,41.12 Lacs) |  |  |
| <b>Total</b>  | <b>66,80.58</b>                          | <b>60,03.28</b>                          |

**NOTE 16: OTHER CURRENT ASSETS\***

|  |                 |                 |
|--|-----------------|-----------------|
| (Unsecured, considered good - unless otherwise stated) |                 |                 |
| Interest accrued on fixed deposit accounts / loans     | 25,45.00        | 20,04.21        |
| Consignment Debtors                                    | 10,27.50        | 8,60.90         |
| Claims Recoverable                                     |                 |                 |
| Considered good  | 1,48.44         | 1,44.09         |
| Considered doubtful                                    | 64.47           | 23.05           |
| Less: Provision for Doubtful receivables               | (64.47)         | (23.05)         |
| Receivables from related parties                       | 6,62.32         | 3,36.64         |
| <b>Total</b>   | <b>43,83.26</b> | <b>33,45.84</b> |

\*Refer Note 33

**NOTE 17: REVENUE FROM OPERATIONS\***

|   |                    |                    |
|---|--------------------|--------------------|
| Sale of Products                        |                    |                    |
| - Finished Goods                        | 30,59,25.14        | 26,63,48.35        |
| - Traded Goods                          | 1,99,58.21         | 1,68,61.19         |
| Other Operating Revenue                 |                    |                    |
| - Business auxiliary service commission | 97,21.68           | 72,53.65           |
| - Miscellaneous income**                | 10,91.98           | 6,96.21            |
|   | <b>33,66,97.01</b> | <b>29,11,59.40</b> |
| Less : Excise Duty                      | 1,79,47.65         | 1,46,58.95         |
| <b>Total</b>                            | <b>31,87,49.36</b> | <b>27,65,00.45</b> |

\*Refer Note 1.9

\*\*Represents mark-up on sales of raw material and certain amounts cross charged to related parties on a net basis.

|  | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|--|--|--|
| <b>Details of Sales – Finished Goods</b>                                   |  |  |
| Class of Goods :   |  |  |
| (i) Malt Based food / Cereal Based Beverage / Protein Rich Food            | 30,55,57.25                              | 26,55,97.07                              |
| (ii) Packed Foods  | 1,99,58.75                               | 1,68,61.19                               |
| (iii) Ghee ( By Product)   | 3,67.35                                  | 7,51.28                                  |
|  | <u>32,58,83.35</u>                       | <u>28,32,09.54</u>                       |
| <b>Earnings in Foreign Exchange:</b>                                       |  |  |
| - Export of goods on F.O.B. basis  | 1,91,46.94                               | 1,81,59.21                               |
| - Miscellaneous Income   | 6,32.42                                  | 3,19.33                                  |
| <b>NOTE 18: OTHER INCOME*</b>  |  |  |
| Profit on sale of fixed assets (net)                                       | 73.34                                    | 2.07                                     |
| Exchange fluctuations (net)  | 5,25.43                                  | 3,90.17                                  |
| Rent received  | 19.81                                    | 17.26                                    |
| Interest income (gross)  | 98,89.37                                 | 70,21.57                                 |
| [Tax Deducted at Source Rs. 9,83.13 Lacs (Previous Year Rs. 6,93.00 Lacs)] |  |  |
| Miscellaneous income   | 8,70.63                                  | 10,94.14                                 |
| <b>Total</b>   | <u>1,13,78.58</u>                        | <u>85,25.21</u>                          |
| *Refer Note 1.9  |  |  |
| <b>NOTE 19: COST OF MATERIAL CONSUMED</b>                                  |  |  |
| Raw material consumed  | 7,78,02.30                               | 6,97,94.98                               |
| Packing material consumed  | 2,41,86.88                               | 2,31,78.92                               |
| <b>Total</b>   | <u>10,19,89.18</u>                       | <u>9,29,73.90</u>                        |
| <b>Raw Material consumed* (Includes goods processed by third parties)</b>  |  |  |
| Milk Powder  | 1,72,11.49                               | 1,46,55.00                               |
| Liquid Milk  | 1,35,32.57                               | 1,41,83.97                               |
| Malt and Malt Extract  | 1,87,48.07                               | 1,72,00.37                               |
| Flour (Wheat)  | 54,84.20                                 | 51,00.43                                 |
| Others   | 2,39,98.29                               | 1,94,32.50                               |
|  | <u>7,89,74.62</u>                        | <u>7,05,72.27</u>                        |

**Imported & Indigenous Raw Material\***

|                     | Percentage | Value<br>(Rs. Lacs) | Percentage | Value<br>(Rs. Lacs) |
|---------------------|------------|---------------------|------------|---------------------|
| <b>Raw Material</b> |            |                     |            |                     |
| Imported            | 2.6%       | 20,59.59            | 2.1%       | 14,87.46            |
| Indigenous          | 97.4%      | 7,69,15.03          | 97.9%      | 6,90,84.81          |
|                     |            | <u>7,89,74.62</u>   |            | <u>7,05,72.27</u>   |

\* "Raw Material consumed" and "Imported & Indigenous Raw Material" as shown above includes Rs. 11,38.24 Lacs (Previous year Rs. 7,39.20) being the cost of materials consumed on samples used for promotional purpose included under Advertisement and Promotion expenses, Rs. 34.08 Lacs (Previous year Rs. 38.09 Lacs) being the cost of stock breakages recoverable from the insurance company.

**NOTE 20: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-INTRADE**

|   | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|---|--|--|
| Opening stock   |  |  |
| Finished goods (including bulk powder)                      | 2,12,98.45                               | 1,78,79.23                               |
| Work-in-progress  | 35,05.38                                 | 19,32.19                                 |
| Stock-in-trade ( in respect of goods acquired for trading ) | 12,68.69                                 | 18,28.45                                 |
| By-products   | 57.62                                    | 90.20                                    |
|   | <u>2,61,30.14</u>                        | <u>2,17,30.07</u>                        |
| Less: Closing stock   |  |  |
| Finished goods (including bulk powder)                      | 2,33,69.45                               | 2,12,98.45                               |
| Work-in-progress  | 24,31.42                                 | 35,05.38                                 |
| Stock-in-trade (in respect of goods acquired for trading )  | 17,04.40                                 | 12,68.69                                 |
| By-Products   | 72.34                                    | 57.62                                    |
|   | <u>2,75,77.61</u>                        | <u>2,61,30.14</u>                        |
| <b>Net (Increase)/Decrease</b>                              | <u><b>(14,47.47)</b></u>                 | <u><b>(44,00.07)</b></u>                 |

**NOTE 21: EMPLOYEE BENEFIT EXPENSE\***

|   |                          |                          |
|---|--------------------------|--------------------------|
| Salaries, wages and bonus                 | 2,41,11.28               | 2,08,30.20               |
| Contribution to provident and other funds | 26,11.91                 | 24,26.29                 |
| Staff welfare expenses                    | 33,88.76                 | 25,80.07                 |
| <b>Total</b>                              | <u><b>3,01,11.95</b></u> | <u><b>2,58,36.56</b></u> |

\*Refer Note 1.8

(a) The Company has classified the various benefits provided to employees as under -

**I. Defined Contribution Plan**

a. Indian Senior Executive Superannuation Fund

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss

|  | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|--|---|---|
| Employers' Contribution to Indian Senior Executives Superannuation Fund* | 3,89.11                                       | 4,05.03                                       |

**II. State Plans**

a. Employers' Contribution to Employee's State Insurance

b. Employers' Contribution to Employee's Pension Scheme 1995

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss

|  | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|--|---|---|
| - Employers' Contribution to Employee's State Insurance*     | 7.83  | 32.31   |
| - Employers' Contribution to Employee's Pension Scheme 1995* | 2,34.68                                       | 2,31.33                                       |

\* Included in Contribution to provident and other funds.

### Defined Benefit Plans

In accordance with Accounting Standard 15 'Employee Benefits', an actuarial valuation was done as at December 31st, 2012 in respect of following Defined Benefit Plans

- Contribution to Provident Fund
- Contribution to Gratuity Funds – Employee's Gratuity Fund, Senior Staff Gratuity Fund
- Leave Encashment / Compensated Absences for workers – (Earned leave, Sick Leave and Special leave)
- Post- Employment Medical Assistance Scheme based on the following assumptions –

|   | Leave Encashment/<br>Compensated Absences |                                    | Employees<br>Gratuity Fund         |                                    | Senior Staff<br>Gratuity Fund      |                                    | Provident<br>Fund                  |                                    |
|---|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   | Year Ended<br>December<br>31, 2012        | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 |
| Discount Rate<br>(per annum)  | 8.15%                                     | 8.50%                              | 8.15%                              | 8.50%                              | 8.15%                              | 8.50%                              | 8.15                               | 8.50%                              |
| Rate of increase in<br>Compensation<br>levels*                      | 8.00%/<br>10.00%/<br>12.00%               | 8.00 %/<br>10.00 %/<br>12.00%      | 8.00%/<br>10.00%/<br>12.00%        | 8.00 %/<br>10.00 %/<br>12.00%      | 8.00%/<br>10.00%/<br>12.00%        | 8.00 %/<br>10.00 %/<br>12.00%      | 8.00%/<br>10.00%/<br>12.00%        | 8.00 %/<br>10.00 %/<br>12.00%      |
| Rate of Return on<br>Plan Assets                                    | N.A.                                      | N.A.                               | 8.74%                              | 8.68%                              | 8.72%                              | 8.59%                              | N.A.                               | N.A.                               |
| Expected Average<br>remaining working lives<br>of employees (Years) | 12.26/<br>13.00                           | 12.65/<br>13.71                    | 14.34                              | 14.36                              | 20.61                              | 20.2                               | N.A.                               | N.A.                               |

\*12% and 10% for the short term and 8% for the long term

- In calculating the leave encashment liability, 20% of the earned leave has been assumed to be availed of during the service before separation.
- In calculating the compensated absences for sick leave liability and special leave liability, 50% of the leave has been assumed to be availed of during the service before separation.
- The liability for Gratuity fund for the year 2013 has not been worked out as the same is based on the increase in the basic salary and allowances in April 2014.
- The expected rate of return on Gratuity Fund assets has been worked out based on the full year's interest on the investment as at December 31, 2012 after reducing the amount of amortization of premium for one year.
- In case of Provident Fund, Plan members are assumed to withdraw in accordance with the following table:

| Age            | Withdrawal Rate (%) |
|----------------|---------------------|
| Up to 30 years | 3.0                 |
| Up to 44 years | 2.0                 |
| Above 44 years | 1.0                 |

**(A) Changes in the Present Value of Obligation**

(Rs. Lacs)

|  | Leave Encashment/<br>Compensated Absences      |                                    | Employees<br>Gratuity Fund         |                                    | Senior Staff<br>Gratuity Fund      |                                    |
|--|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | Year Ended<br>December<br>31, 2012             | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 |
|  | Present Value of Obligation as at<br>January 1 | 3,02.34                            | 2,74.57                            | 26,23.71                           | 23,79.65                           | 47,73.44                           |
| Interest Cost  | 24.18  | 23.43                              | 2,13.83                            | 2,03.06                            | 3,89.04                            | 3,62.67                            |
| Past Service Cost  | -  | -                                  | -                                  | -                                  | -                                  | -                                  |
| Current Service Cost                                     | 56.50  | 43.00                              | 2,90.60                            | 2,36.17                            | 4,95.36                            | 4,37.09                            |
| Curtailement Cost / (Credit)                             | -  | -                                  | -                                  | -                                  | -                                  | -                                  |
| Settlement Cost / (Credit)                               | -  | -                                  | -                                  | -                                  | -                                  | -                                  |
| Benefits Paid  | (10.56)  | (9.01)                             | (1,94.70)                          | (2,12.80)                          | (9,54.66)                          | (2,74.94)                          |
| Actuarial (gain)/loss on obligations                     | (1.74)   | (29.65)                            | 2,04.26                            | 17.63                              | 4.51                               | (1.87)                             |
| <b>Present Value of Obligation<br/>as at December 31</b> | <b>3,70.72</b>                                 | <b>3,02.34</b>                     | <b>31,37.70</b>                    | <b>26,23.71</b>                    | <b>47,07.69</b>                    | <b>47,73.44</b>                    |

**(B) Changes in the Fair value of Plan Assets**

(Rs. Lacs)

|   |          |          |                 |                 |                 |                 |
|---|----------|----------|-----------------|-----------------|-----------------|-----------------|
| Fair Value of Plan Assets as at<br>January 1                                      | -        | -        | 25,83.71        | 22,71.42        | 46,07.66        | 40,79.29        |
| Expected Return on Plan Assets  | N.A.     | N.A.     | 2,25.82         | 1,95.11         | 4,01.79         | 3,54.09         |
| Actuarial Gains and (Losses)  | N.A.     | N.A.     | 3.12            | 3.57            | (15.31)         | 16.91           |
| Contributions   | -        | -        | 2,75.35         | 3,26.41         | 6,05.91         | 4,32.31         |
| Benefits Paid   | -        | -        | (1,94.70)       | (2,12.80)       | (9,54.66)       | (2,74.94)       |
| Fair Value of Plan Assets<br>as at December 31                                    | -        | -        | 28,93.31        | 25,83.71        | 46,45.39        | 46,07.66        |
| Unpaid Amount   | -        | -        | (0.22)          | (0.22)          | -               | -               |
| <b>Fair Value of Plan Assets<br/>as at December 31<br/>(net of unpaid amount)</b> | <b>-</b> | <b>-</b> | <b>28,93.08</b> | <b>25,83.49</b> | <b>46,45.39</b> | <b>46,07.66</b> |

**(C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair value of Assets**

(Rs. Lacs)

|  |                  |                  |                  |                |                |                  |
|--|------------------|------------------|------------------|----------------|----------------|------------------|
| Present Value of funded/<br>(unfunded) obligation<br>as at December 31   | (3,70.72)        | (3,02.34)        | 31,37.69         | 26,23.71       | 47,07.69       | 47,73.44         |
| Fair Value of Plan Assets<br>as at the end of the period                 | -                | -                | 28,93.08         | 25,83.49       | 46,45.39       | 46,07.66         |
| Funded Status  | -                | -                | (2,44.61)        | (40.22)        | (62.30)        | (1,65.78)        |
| Present Value of unfunded<br>obligation as at December 31                | 3,70.72          | 3,02.34          | -                | -              | -              | -                |
| Unrecognized Actuarial (gains)/<br>losses                                | -                | -                | -                | -              | -              | -                |
| <b>Unfunded Net Asset / (Liability)<br/>recognized in Balance Sheet*</b> | <b>(3,70.72)</b> | <b>(3,02.34)</b> | <b>(2,44.61)</b> | <b>(40.22)</b> | <b>(62.30)</b> | <b>(1,65.78)</b> |

\* included in Employee Benefits (Refer Note 8)

**(D) Expense recognised in the Profit and Loss Account**

(Rs. Lacs)

|   | Leave Encashment/<br>Compensated Absences |                                    | Employees<br>Gratuity Fund         |                                    | Senior Staff<br>Gratuity Fund      |                                    |
|---|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   | Year Ended<br>December<br>31, 2012        | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 | Year Ended<br>December<br>31, 2012 | Year Ended<br>December<br>31, 2011 |
| Current Service Cost  | 56.50                                     | 43.00                              | 2,90.60                            | 2,36.17                            | 4,95.36                            | 4,37.09                            |
| Past Service Cost   | -   | -                                  | -                                  | -                                  | -                                  | -                                  |
| Interest cost   | 24.18                                     | 23.43                              | 2,13.83                            | 2,03.06                            | 3,89.04                            | 3,62.67                            |
| Expected Return on Plan Assets                                      | N.A.                                      | N.A.                               | (2,25.82)                          | (1,95.11)                          | (4,01.79)                          | (3,54.09)                          |
| Curtailment Cost / (Credit)   | -   | -                                  | -                                  | -                                  | -                                  | -                                  |
| Settlement Cost / (Credit)  | -   | -                                  | -                                  | -                                  | -                                  | -                                  |
| Net actuarial (gain) / loss<br>recognized in the period             | (1.74)                                    | (29.65)                            | 2,01.14                            | 14.06                              | 19.83                              | (18.78)                            |
| <b>Total expenses recognized in<br/>the Profit and Loss Account</b> | <b>78.94***</b>                           | <b>36.78***</b>                    | <b>4,79.75**</b>                   | <b>2,58.18**</b>                   | <b>5,02.44**</b>                   | <b>4,26.89**</b>                   |

\*\* included in Contribution to provident and other funds

\*\*\* included in Salaries, wages and bonus

**(E) Constitution of Plan Assets**

(Rs. Lacs)

|                          |      |      |          |          |          |          |
|--------------------------|------|------|----------|----------|----------|----------|
| Equity Instruments       | N.A. | N.A. | -        | -        | -        | -        |
| Debt Instruments         | N.A. | N.A. | 27,66.68 | 24,57.18 | 46,05.97 | 44,30.87 |
| Property                 | N.A. | N.A. | -        | -        | -        | -        |
| Other Assets (Net)       | N.A. | N.A. | 1,26.39  | 1,26.31  | 39.42    | 1,76.79  |
| Total of the Plan Assets | N.A. | N.A. | 28,93.07 | 25,83.49 | 46,45.39 | 46,07.66 |

**(F) Amounts recognised in current year and previous four years**

| Leave Encashment /Compensated<br>Absences (Rs. Lacs) | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 | Year Ended<br>December 31,<br>2010 | Year Ended<br>December 31,<br>2009 | Year Ended<br>December 31,<br>2008 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Defined Benefit Obligation                           | (3,70.72)                          | (3,02.34)                          | (2,74.57)                          | (2,14.33)                          | (1,82.14)                          |
| Plan Assets  | -                                  | -                                  | -                                  | -                                  | -                                  |
| <b>Surplus/(Deficit)</b>                             | <b>(3,70.72)</b>                   | <b>(3,02.34)</b>                   | <b>(2,74.57)</b>                   | <b>(2,14.33)</b>                   | <b>(1,82.14)</b>                   |
| Employees Gratuity Fund<br>(Rs. Lacs)                | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 | Year Ended<br>December 31,<br>2010 | Year Ended<br>December 31,<br>2009 | Year Ended<br>December 31,<br>2008 |
| Defined Benefit Obligation                           | 31,37.69                           | 26,23.71                           | 23,79.65                           | 20,15.32                           | 17,40.60                           |
| Plan Assets  | 28,93.08                           | 25,83.49                           | 22,71.42                           | 18,97.63                           | 17,39.16                           |
| <b>Surplus/(Deficit)</b>                             | <b>(2,44.61)</b>                   | <b>(40.22)</b>                     | <b>(1,08.23)</b>                   | <b>(1,17.69)</b>                   | <b>(1.44)</b>                      |
| Senior Staff Gratuity Fund<br>(Rs. Lacs)             | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 | Year Ended<br>December 31,<br>2010 | Year Ended<br>December 31,<br>2009 | Year Ended<br>December 31,<br>2008 |
| Defined Benefit Obligation                           | 47,07.69                           | 47,73.44                           | 42,50.49                           | 38,67.87                           | 34,21.58                           |
| Plan Assets  | 46,45.39                           | 46,07.66                           | 40,79.29                           | 37,52.09                           | 29,64.28                           |
| <b>Surplus/(Deficit)</b>                             | <b>(62.30)</b>                     | <b>(1,65.78)</b>                   | <b>(1,71.20)</b>                   | <b>(1,15.78)</b>                   | <b>(4,57.30)</b>                   |

The information above has been presented to the extent of data available as per Actuarial certificate

- (G) The Guidance Note on Implementing AS 15, 'Employee Benefits' issued by the Accounting Standard Board (ASB) states that Provident Funds set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by the employer would be defined benefit plans in accordance with the requirements of paragraph 26(b) of AS 15. Pursuant to the Guidance Note, the Company has accounted for the liability in respect of the shortfall of interest earnings of Provident Fund aggregating Rs. 20.15 Lacs (Previous Year Rs. 1,44.85 Lacs) determined on the basis of an actuarial valuation carried out as at December 31, 2012 as another long term benefit. The Company's actuary has stated in his certificate that the valuation is in respect of "Other Long Term Employee Benefits" and accordingly the detailed disclosures stated in A-E above are not required.
- (H) The Company pays insurance premium annually to NIC (National Insurance Company) to assure the underlying benefits under a post-employment medical assistance scheme, a Defined Insured Benefit plan. The Company has accounted for the liability for insurance premium amounting to Rs. 33,67.38 Lacs (Previous Year Rs. 26,79.62 Lacs) [Refer Note 5 & 8 ] determined on the basis of an actuarial valuation carried out as at December 31, 2012. The Company's actuary has stated in his certificate that the valuation is in respect of "Other Long Term Employee Benefits" and accordingly the detailed disclosures stated in A-E above are not required.
- (I) The Company has during the year accounted for certain ex-gratia payments to its employees aggregating Rs. 3,07.69 Lacs (Previous Year Rs. 9,63.62 Lacs) included under Employee's Cost.
- (J) Certain employees of the Company are entitled to receive cash settled stock based awards ('awards') pursuant to employee share schemes ('scheme') administered by GlaxoSmithKline Plc. ('Plc'). The cost related to these awards is accounted for in the books of the Company. The following types of awards are granted to the Indian employees:
- i. Restricted Share Awards (RSAs) – Under this plan, certain employees are granted cash settled RSAs, which entitle them to receive cash equivalent to the stock price of the Plc's shares listed at London stock exchange after a three year vesting period during which the employee has to remain in continuous employment with the Company. These RSA's do not give any voting rights or the right to accrue dividends. During the current year, company has not granted any share to the employees.
  - ii. Share Appreciation Rights (SARs) – Under this plan, certain employees are granted cash settled SARs which entitle the holder to receive cash, equivalent to the difference between the Plc Company's ordinary stock price posted on the London Stock Exchange on the exercise date and the grant date stock price. These instruments vest over a period of three years from the grant date based on continued employment of the employee with the Company. Once vested, an employee can decide to exercise the vested SARs anytime during the next 7 years, thus these instruments have a total contractual life of 10 years. No new SAR's were issued during the current year due to change in Plc's share value plan.

The Company has used intrinsic value method to account for the compensation cost of these awards issued to certain employees of the Company. The Company recognizes expense relating to the awards received by the employees under the scheme as the employees render service, which generally is equivalent to the vesting period of these awards. Once these awards vest, Company re-measures these awards at each reporting period and immediately recognizes compensation cost for any changes in the intrinsic value of these awards.

Had the Company used an option pricing model to fair value the SARs, the impact on the compensation cost for the year and the impact on Company's net profit and earnings per share would not have been material.

Accordingly, a sum of Rs. 3,63.84 Lacs (Previous year Rs. 8,34.37 Lacs) has been accounted in the financial statements as Salaries, Wages and Bonus under 'Employees cost' and the total carrying amount at the end of the period is Rs 20,66.48 Lacs (Previous year Rs 16,46.74 Lacs).

## NOTE 22: FINANCE COSTS\*

|                  | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|------------------|---|---|
| Interest expense | 2,42.33                                       | 3,46.64                                       |
| <b>Total</b>     | <b>2,42.33</b>                                | <b>3,46.64</b>                                |

\*Refer Note 1.11



**NOTE 23: OTHER EXPENSES\***

|  | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|--|---|---|
| Consumption of stores and spare parts  | 2,77.35                                       | 1,90.14                                       |
| Conversion charges to third parties  | 1,13,78.88                                    | 91,59.02                                      |
| Repairs & Maintenance  |   |   |
| Buildings  | 1,59.92                                       | 1,93.50                                       |
| Plant & Machinery  | 12,69.04                                      | 9,48.15                                       |
| Others   | 8,77.18                                       | 6,22.33                                       |
| Power and fuel   | 62,86.01                                      | 55,22.68                                      |
| Rent   | 29,09.58                                      | 23,38.43                                      |
| Rates and taxes  | 40,20.77                                      | 23,63.75                                      |
| Insurance  | 4,51.11                                       | 4,43.57                                       |
| Carriage and freight   | 1,57,06.42                                    | 1,32,69.41                                    |
| Donations  | 83.08   | 75.59   |
| Advertising and promotion  | 4,96,46.87                                    | 4,37,34.50                                    |
| Royalty  | 1,05,60.62                                    | 93,03.65                                      |
| Excise duty adjustment due to (Increase)/Decrease in<br>Stock of Finished Goods and Work-in-progress | 7,60.34                                       | 2,24.42                                       |
| Other general expenses   | 1,17,24.57                                    | 98,22.82                                      |
|  | <u>11,61,11.74</u>                            | <u>9,82,11.96</u>                             |

\*Refer Note 1.7 & 1.12

(a) In accordance with the requirements of Accounting Standard (AS) – 19 'Leases', the Company has entered into three non-cancellable operating leases in respect of office premises. The terms of the said lease include terms for renewal, increase in rents in future periods for premises and terms of cancellation. The total lease payments recognized in the statement of Profit and Loss Account for the period amount to Rs. 767.10 Lacs (Previous Year Rs. 880.48 Lacs). Total of future Minimum Lease Payments under non-cancellable leases in case of the premise on lease:

|  |         |         |
|--|---------|---------|
| Total Lease Payments                           | 7,67.10 | 8,80.48 |
| Not later than 1 year                          | 2,31.41 | 7,67.10 |
| Later than one year and not later than 5 years | 16.01   | 2,47.42 |
| Later than 5 years                             | Nil     | Nil     |

**NOTE 24: CONTINGENT LIABILITIES**

|  | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|--|--|--|
| Contingent Liabilities not provided for:   |  |  |
| a) Direct tax  | 2,83,78.96                               | 1,59,92.33                               |
| b) Indirect taxes - net of tax impact Rs. 42.55 Lacs<br>(Previous Year Rs. 36.93 Lacs) | 88.59                                    | 76.90                                    |

The amounts shown above represent the best possible estimates of pending litigations/disputes arrived at on the basis of available information. The above do not include potential risks/demands, if any for ongoing issues, where no claims have been made against the company. The uncertainties and possible reimbursements if any are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interests and has been advised that it has strong legal positions against such disputes.

**NOTE 25: PROVISIONS**

In accordance with AS 29 - "Provisions, Contingent Liabilities and Contingent Assets, the Company has been prudent to consider the following provisions which have been disclosed as under:

(Rs. Lacs)

|                            | Indirect taxes | Other provisions |
|----------------------------|----------------|------------------|
| Balance as at Jan 1, 2012  | 17,86.21       | 49,96.85         |
| Additions                  | 2,55.06        | 51,54.96         |
| Utilizations/Reversals     | -              | (30,47.22)       |
| Balance as at Dec 31, 2012 | 20,41.27       | 71,04.59         |
| Classified as Non-Current  | 20,41.27       | 24,39.44         |
| Classified as Current      | -              | 46,65.15         |

- (i) Indirect tax matters – Includes provisions made mainly for probable claims arising out of certain tax matters under various statutes. The timing and probability of the outflow and expected reimbursements if any with regard to these matters, depends on the ultimate settlement /conclusion of these matters with the relevant authorities.
- (ii) Other provisions – Include provision for potential demands towards various market claims from the Company's distributors/retailers. The timing and probability of outflow and expected reimbursements, if any, with regard to these matters will depend on the market scenario and the consequent decision / conclusion by the Management.

**NOTE 26: ESTIMATED AMOUNT OF CONTRACTS TO BE EXECUTED ON CAPITAL ACCOUNT**

|   | As at<br>December 31, 2012<br>(Rs. Lacs) | As at<br>December 31, 2011<br>(Rs. Lacs) |
|---|--|--|
| Estimated amount of Contracts remaining to be executed on Capital account (net of Capital Advance) and not provided for Other commitments | 1,57,38.07<br>NIL                        | 1,35,29.36<br>NIL                        |

**NOTE 27: AUDITORS' REMUNERATION\***

|   | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|---|---|---|
| (i) As auditor  | 53.37   | 52.39   |
| (ii) As advisors or in any capacity for services rendered in respect of : |   |   |
| - Taxation matters  | Nil   | Nil   |
| - Company law matters   | Nil   | Nil   |
| - Management services   | Nil   | Nil   |
| (iii) In any other manner (for tax audit and other certificates)          | 26.62   | 25.42   |
| (iv) Out-of-Pocket expenses   | 12.61   | 7.11  |
|   | <u>92.60</u>                                  | <u>84.92</u>                                  |

\*includes service tax

**NOTE 28: EXPENDITURE INDICATED BELOW ALLOCATED TO OTHER REVENUE ACCOUNT:**

|  |          |          |
|--|----------|----------|
| Consumption of Stores and Spare Parts                | 47,62.68 | 44,44.71 |
| Insurance expenses classified under welfare expenses | 5,88.42  | 5,13.08  |
| Scientific Research and Development                  | 2,56.95  | 3,04.41  |

**NOTE 29: VALUE OF IMPORTS CALCULATED ON C.I.F BASIS:**

Value of Imports calculated on C.I.F basis :

|                |                 |                 |
|----------------|-----------------|-----------------|
| Raw Materials  | 21,64.41        | 13,38.07        |
| Capitals Goods | 3,70.44         | 7,00.63         |
|                | <u>25,34.85</u> | <u>20,38.70</u> |

**NOTE 30: DETAILS OF PURCHASED FINISHED GOODS**

|                | Opening stock               |                             | Purchases                          |                                    | Closing Stock*                |                               |
|----------------|-----------------------------|-----------------------------|------------------------------------|------------------------------------|-------------------------------|-------------------------------|
|                | As on<br>January 1,<br>2012 | As on<br>January 1,<br>2011 | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 | As on<br>December 31,<br>2012 | As on<br>December 31,<br>2011 |
|                | Value (Rs. Lacs)            | Value (Rs. Lacs)            | Value (Rs. Lacs)                   | Value (Rs. Lacs)                   | Value (Rs. Lacs)              | Value (Rs. Lacs)              |
| Packaged Foods | 12,68.69                    | 18,28.45                    | 1,46,43.01                         | 1,34,32.96                         | 17,04.40                      | 12,68.69                      |
|                | <u>12,68.69</u>             | <u>18,28.45</u>             | <u>1,46,43.01</u>                  | <u>1,34,32.96</u>                  | <u>17,04.40</u>               | <u>12,68.69</u>               |

\* Closing stock is net of samples, internal consumption and other stock losses.

**NOTE 31: EXPENDITURE IN FOREIGN CURRENCY**

|                            | Year ended<br>December 31, 2012<br>(Rs. Lacs) | Year ended<br>December 31, 2011<br>(Rs. Lacs) |
|----------------------------|---|---|
| Travelling                 | 24.67   | 33.76   |
| Advertisement & Promotions | Nil   | 13.14   |
| Consultancy                | 27.68   | 85.00   |
| Software                   | 86.08   | 1,45.77                                       |
| Others                     | 5,60.90                                       | 2,15.55                                       |
|                            | 6,99.32                                       | 4,93.22                                       |

Amounts for the year 2011 are on cash basis.

**NOTE 32: AMOUNT REMITTED IN FOREIGN CURRENCY FOR DIVIDEND**

|   |            |            |
|---|------------|------------|
| (a) Number of non resident shareholders                 | 1          | 1          |
| (b) Number of share held (Equity shares of Rs. 10 each) | 18,152,243 | 18,152,243 |
| (c) Dividend  | 6,353.29   | 9,076.12   |
| (d) Year to which the dividend relates to               | 2011       | 2010       |

**NOTE 33: RELATED PARTY TRANSACTIONS**

In accordance with the requirements of Accounting Standard (AS) - 18 'Related Party Disclosures' the names of the related party where control exists/able to exercise significant influence along with the aggregate transactions and year-end balance with them as identified by the management in the ordinary course of business and on arms' length basis are given below:

**A. Promoter Company**

Horlicks Limited, (a subsidiary of GlaxoSmithKline Plc UK) holds 43.16% of equity shares of the Company.

\* Refer Note 34

**B. Other related parties in GlaxoSmithKline Group which are under Common Control -**

- |  |  |
|--|--|
| (a) Glaxo Operations UK Area                             | (w) SB Corporate Centre                          |
| (b) Glaxo SmithKline Bangladesh Ltd.                     | (x) SmithKline Beecham (Pvt) Ltd, Sri Lanka      |
| (c) Glaxo SmithKline Exports Ltd                         | (y) SmithKline Beecham Corporation               |
| (d) Glaxo Wellcome Indonesia                             | (z) Sterling Drugs (M) Sdn Bhd                   |
| (e) GlaxoSmithKline Asia Pvt Ltd.                        | (aa) Tianjin SmithKline & French Labs Ltd, China |
| (f) GlaxoSmithKline Australia Pty                        | (bb) GSK China Investment Co Ltd                 |
| (g) GlaxoSmithKline Consumer Healthcare GmbH             | (cc) Glaxo Wellcome Manufacturing Pte Ltd        |
| (h) GlaxoSmithKline Consumer Healthcare Kenya            | (dd) GSK South Africa Pty                        |
| (i) GlaxoSmithKline Consumer Healthcare SDN BHD Malaysia | (ee) Glaxo Saudi Arabia Ltd                      |
| (j) GlaxoSmithKline Pharmaceuticals Ltd.                 | (ff) GlaxoSmithKline Pakistan Ltd.               |
| (k) GlaxoSmithKline Philippines Inc.                     | (gg) Glaxo Opearation UK Ltd                     |
| (l) GlaxoSmithKline Pte. Ltd.                            |  |

**C. Trusts under Control of the Board of the Trustees -**

- a. Senior Staff Gratuity Fund
- b. Employees' Gratuity Fund
- c. Provident Fund
- d. Indian Senior Executives Superannuation Fund

**D. Key Management Personnel**

- a. Zubair Ahmed, Managing Director
- b. Praveen Kumar Gupta
- c. R. Subramanian, Director – Finance
- d. Jaiboy Phillips, Director - Operations

(Rs. Lacs)

The following transactions were carried out with the related parties in the ordinary course of business

| Particulars   | Year ended December 31, 2012 |                                |                          |                                      |                   | Year ended December 31, 2011 |                                |                          |                                      |                   |
|---|------------------------------|--------------------------------|--------------------------|--------------------------------------|-------------------|------------------------------|--------------------------------|--------------------------|--------------------------------------|-------------------|
|   | Promoter Company             | Companies under Common Control | Key Management Personnel | Trusts under the control of Trustees | Total             | Promoter Company             | Companies under Common Control | Key Management Personnel | Trusts under the control of Trustees | Total             |
| <b>Sale of goods (Exports)</b>  | -                            | <b>1,33,39.11</b>              | -                        | -                                    | <b>1,33,39.11</b> | -                            | 1,35,77.08                     | -                        | -                                    | <b>1,35,77.08</b> |
| SmithKline Beecham (Pvt) Ltd, Sri Lanka                                 | -                            | 47,27.77                       | -                        | -                                    | 47,27.77          | -                            | 56,68.82                       | -                        | -                                    | 56,68.82          |
| Glaxo SmithKline Bangladesh Ltd.  | -                            | 81,34.33                       | -                        | -                                    | 81,34.33          | -                            | 74,02.13                       | -                        | -                                    | 74,02.13          |
| Others  | -                            | 4,77.01                        | -                        | -                                    | 4,77.01           | -                            | 5,06.13                        | -                        | -                                    | 5,06.13           |
| <b>Sale of Raw Materials/ Packing Materials</b>                         | -                            | <b>2,72.55</b>                 | -                        | -                                    | <b>2,72.55</b>    | -                            | 1,83.66                        | -                        | -                                    | <b>1,83.66</b>    |
| Glaxo SmithKline Bangladesh Ltd.  | -                            | 2,72.55                        | -                        | -                                    | 2,72.55           | -                            | 1,83.66                        | -                        | -                                    | 1,83.66           |
| <b>Consignment Sales (Gross)</b>  | -                            | <b>6,23,64.41</b>              | -                        | -                                    | <b>6,23,64.41</b> | -                            | 4,78,07.86                     | -                        | -                                    | <b>4,78,07.86</b> |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 5,23,64.51                     | -                        | -                                    | 5,23,64.51        | -                            | 3,81,47.63                     | -                        | -                                    | 3,81,47.63        |
| Glaxo SmithKline Pharmaceuticals Ltd.                                   | -                            | 99,99.90                       | -                        | -                                    | 99,99.90          | -                            | 96,60.23                       | -                        | -                                    | 96,60.23          |
| <b>Services received (Paid / Payable)****</b>                           | -                            | <b>54.17</b>                   | -                        | -                                    | <b>54.17</b>      | -                            | 1,61.56                        | -                        | -                                    | <b>1,61.56</b>    |
| GlaxoSmithKline Services Unlimited (U.K.)                               | -                            | 7.51                           | -                        | -                                    | 7.51              | -                            | -                              | -                        | -                                    | -                 |
| Glaxo Operations UK Area  | -                            | 13.06                          | -                        | -                                    | 13.06             | -                            | 1,25.20                        | -                        | -                                    | 1,25.20           |
| GlaxoSmithKline Australia Pty   | -                            | 33.60                          | -                        | -                                    | 33.60             | -                            | 36.36                          | -                        | -                                    | 36.36             |
| <b>Payment on Behalf of Fellow Subsidiaries (Received/Receivable)**</b> | -                            | <b>95,85.97</b>                | -                        | -                                    | <b>95,85.97</b>   | -                            | 64,54.95                       | -                        | -                                    | <b>64,54.95</b>   |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 47,69.58                       | -                        | -                                    | 47,69.58          | -                            | 34,81.17                       | -                        | -                                    | 34,81.17          |
| Glaxo SmithKline Pharmaceuticals Ltd.                                   | -                            | 11,05.42                       | -                        | -                                    | 11,05.42          | -                            | 8,19.62                        | -                        | -                                    | 8,19.62           |
| Others  | -                            | 37,10.97                       | -                        | -                                    | 37,10.97          | -                            | 21,54.16                       | -                        | -                                    | 21,54.16          |
| <b>Reimbursements of Expenses (Paid / Payable)**</b>                    | -                            | <b>4,61.85</b>                 | -                        | -                                    | <b>4,61.85</b>    | -                            | 2,69.40                        | -                        | -                                    | <b>2,69.40</b>    |
| SB Corporate Centre   | -                            | 49.14                          | -                        | -                                    | 49.14             | -                            | 12.24                          | -                        | -                                    | 12.24             |
| GlaxoSmithKline Services Unlimited (U.K.)                               | -                            | 43.31                          | -                        | -                                    | 43.31             | -                            | 55.96                          | -                        | -                                    | 55.96             |
| Glaxo Operations UK Area  | -                            | 47.68                          | -                        | -                                    | 47.68             | -                            | 6.36                           | -                        | -                                    | 6.36              |
| GSK Nigeria   | -                            | 1,09.85                        | -                        | -                                    | 1,09.85           | -                            | -                              | -                        | -                                    | -                 |
| Glaxo SmithKline Exports Ltd  | -                            | 67.04                          | -                        | -                                    | 67.04             | -                            | 80.43                          | -                        | -                                    | 80.43             |
| Others  | -                            | 1,44.83                        | -                        | -                                    | 1,44.83           | -                            | 1,14.41                        | -                        | -                                    | 1,14.41           |
| <b>Business Auxiliary Service Commission *</b>                          | -                            | <b>1,08,78.92</b>              | -                        | -                                    | <b>1,08,78.92</b> | -                            | 80,00.77                       | -                        | -                                    | <b>80,00.77</b>   |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 97,70.75                       | -                        | -                                    | 97,70.75          | -                            | 68,93.00                       | -                        | -                                    | 68,93.00          |
| GlaxoSmithKline Pharmaceuticals Ltd.                                    | -                            | 11,08.17                       | -                        | -                                    | 11,08.17          | -                            | 11,07.77                       | -                        | -                                    | 11,07.77          |
| <b>Rent paid *</b>  | -                            | <b>2,15.74</b>                 | -                        | -                                    | <b>2,15.74</b>    | -                            | 2,12.76                        | -                        | -                                    | <b>2,12.76</b>    |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 2,15.74                        | -                        | -                                    | 2,15.74           | -                            | 2,12.76                        | -                        | -                                    | 2,12.76           |
| <b>Rent received *</b>  | -                            | <b>7.73</b>                    | -                        | -                                    | <b>7.73</b>       | -                            | 0.79                           | -                        | -                                    | <b>0.79</b>       |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 7.73                           | -                        | -                                    | 7.73              | -                            | 0.79                           | -                        | -                                    | 0.79              |
| <b>Licence agreement (Royalty Paid / Payable)*</b>                      | -                            | <b>1,09,39.61</b>              | -                        | -                                    | <b>1,09,39.61</b> | -                            | 96,02.29                       | -                        | -                                    | <b>96,02.29</b>   |
| GlaxoSmithKline Asia Pvt Ltd.   | -                            | 1,09,39.61                     | -                        | -                                    | 1,09,39.61        | -                            | 96,02.29                       | -                        | -                                    | 96,02.29          |
| <b>Dividend Paid</b>  | <b>63,53.29</b>              | -                              | -                        | -                                    | <b>63,53.29</b>   | 90,76.12                     | -                              | -                        | -                                    | <b>90,76.12</b>   |
| Horlicks Limited  | 63,53.29                     | -                              | -                        | -                                    | 63,53.29          | 90,76.12                     | -                              | -                        | -                                    | 90,76.12          |
| <b>Remuneration paid ***</b>  | -                            | <b>11,60.56</b>                | -                        | -                                    | <b>11,60.56</b>   | -                            | 14,09.32                       | -                        | -                                    | <b>14,09.32</b>   |
| Praveen Kumar Gupta   | -                            | -                              | -                        | -                                    | -                 | -                            | 6,33.54                        | -                        | -                                    | 6,33.54           |
| Zubair Ahmed  | -                            | -                              | -                        | -                                    | -                 | -                            | 5,70.22                        | -                        | -                                    | 5,70.22           |
| R Subramanian   | -                            | -                              | -                        | -                                    | -                 | -                            | 2,05.56                        | -                        | -                                    | 2,05.56           |
| Jatboy Phillips   | -                            | -                              | -                        | -                                    | -                 | -                            | -                              | -                        | -                                    | -                 |

(Rs. Lacs)

| Particulars  | Year ended December 31, 2012 |                                |                          |   |                 | Year ended December 31, 2011 |                                |                          |   |                 |
|--|------------------------------|--------------------------------|--------------------------|---|-----------------|------------------------------|--------------------------------|--------------------------|---|-----------------|
|  | Promoter Company             | Companies under Common Control | Key Management Personnel | Trusts under the control of Board of Trustees | Total           | Promoter Company             | Companies under Common Control | Key Management Personnel | Trusts under the control of Board of Trustees | Total           |
| <b>Annual Contributions made by the Company</b>  | -                            | -                              | -                        | <b>63,48.69</b>                               | <b>63,48.69</b> | -                            | -                              | -                        | 54,31.38                                      | <b>54,31.38</b> |
| Provident Fund Trust   | -                            | -                              | -                        | 47,87.04                                      | 47,87.04        | -                            | -                              | -                        | 41,62.37                                      | 41,62.37        |
| Senior Staff Gratuity Fund   | -                            | -                              | -                        | 5,02.43                                       | 5,02.43         | -                            | -                              | -                        | 4,26.90                                       | 4,26.90         |
| Employees Gratuity Fund  | -                            | -                              | -                        | 4,79.53                                       | 4,79.53         | -                            | -                              | -                        | 2,58.39                                       | 2,58.39         |
| Indian Senior Executives Superannuation Scheme   | -                            | -                              | -                        | 5,79.69                                       | 5,79.69         | -                            | -                              | -                        | 5,83.72                                       | 5,83.72         |
| <b>Payments made by the Company to the employees on behalf of Trust towards their settlement</b> | -                            | -                              | -                        | <b>53,74.26</b>                               | <b>53,74.26</b> | -                            | -                              | -                        | 36,02.43                                      | <b>36,02.43</b> |
| Provident Fund Trust   | -                            | -                              | -                        | 39,26.96                                      | 39,26.96        | -                            | -                              | -                        | 28,41.41                                      | 28,41.41        |
| Senior Staff Gratuity Fund   | -                            | -                              | -                        | 9,49.58                                       | 9,49.58         | -                            | -                              | -                        | 2,75.77                                       | 2,75.77         |
| Employees Gratuity Fund  | -                            | -                              | -                        | 2,00.15                                       | 2,00.15         | -                            | -                              | -                        | 2,13.27                                       | 2,13.27         |
| Indian Senior Executives Superannuation Scheme   | -                            | -                              | -                        | 2,97.57                                       | 2,97.57         | -                            | -                              | -                        | 2,71.98                                       | 2,71.98         |
| <b>Recoveries made from Trusts on account of settlement and Investments</b>                      | -                            | -                              | -                        | <b>51,37.87</b>                               | <b>51,37.87</b> | -                            | -                              | -                        | 37,67.54                                      | <b>37,67.54</b> |
| Provident Fund Trust   | -                            | -                              | -                        | 37,70.62                                      | 37,70.62        | -                            | -                              | -                        | 27,23.44                                      | 27,23.44        |
| Senior Staff Gratuity Fund   | -                            | -                              | -                        | 8,35.68                                       | 8,35.68         | -                            | -                              | -                        | 6,10.49                                       | 6,10.49         |
| Employees Gratuity Fund  | -                            | -                              | -                        | 1,93.96                                       | 1,93.96         | -                            | -                              | -                        | 2,20.96                                       | 2,20.96         |
| Indian Senior Executives Superannuation Scheme   | -                            | -                              | -                        | 3,37.61                                       | 3,37.61         | -                            | -                              | -                        | 2,12.65                                       | 2,12.65         |
| <b>Interest Shortfall on Provident Fund Trust</b>  | -                            | -                              | -                        | <b>49.07</b>                                  | <b>49.07</b>    | -                            | -                              | -                        | 1,76.84                                       | <b>1,76.84</b>  |
| Provident Fund Trust   | -                            | -                              | -                        | 49.07   | 49.07           | -                            | -                              | -                        | 1,76.84                                       | 1,76.84         |
| <b>Balances as at year end - Receivables</b>   | -                            | <b>29,34.72</b>                | -                        | <b>5,12.74</b>                                | <b>34,47.46</b> | -                            | 33,13.36                       | -                        | 2,76.32                                       | <b>35,89.68</b> |
| GlaxoSmithKline Consumer Healthcare Kenya  | -                            | 16.40                          | -                        | 16.40   | 16.40           | -                            | 50.34                          | -                        | -   | 50.34           |
| SmithKline Beecham (Pvt) Ltd, Sri Lanka  | -                            | 8,28.85                        | -                        | -   | 8,28.85         | -                            | 7,81.09                        | -                        | -   | 7,81.09         |
| Glaxo SmithKline Bangladesh Ltd.   | -                            | 15,76.54                       | -                        | -   | 15,76.54        | -                            | 19,19.61                       | -                        | -   | 19,19.61        |
| Provident Fund Trust   | -                            | -                              | -                        | 3,41.94                                       | 3,41.94         | -                            | -                              | -                        | 1,85.59                                       | 1,85.59         |
| Senior Staff Gratuity Fund   | -                            | -                              | -                        | 1,37.06                                       | 1,37.06         | -                            | -                              | -                        | 23.16   | 23.16           |
| Employees Gratuity Fund  | -                            | -                              | -                        | 14.44   | 14.44           | -                            | -                              | -                        | 8.24  | 8.24            |
| Indian Senior Executives Superannuation Scheme   | -                            | -                              | -                        | 19.30   | 19.30           | -                            | -                              | -                        | 59.33   | 59.33           |
| Others   | -                            | 5,12.93                        | -                        | -   | 5,12.93         | -                            | 5,62.32                        | -                        | -   | 5,62.32         |
| <b>Balances as at year end - Payables</b>  | -                            | <b>15,06.03</b>                | <b>1.18</b>              | <b>7,82.61</b>                                | <b>22,89.82</b> | -                            | 31,16.72                       | -                        | 7,57.87                                       | <b>38,74.59</b> |
| GlaxoSmithKline Asia Pvt Ltd.  | -                            | 8,64.08                        | -                        | -   | 8,64.08         | -                            | 20,18.11                       | -                        | -   | 20,18.11        |
| GlaxoSmithKline Pharmaceuticals Ltd.   | -                            | 5,61.05                        | -                        | -   | 5,61.05         | -                            | 8,64.38                        | -                        | -   | 8,64.38         |
| Zubair Ahmed   | -                            | -                              | 1.18                     | -   | 1.18            | -                            | -                              | -                        | -   | -               |
| Provident Fund Trust   | -                            | -                              | -                        | 4,33.07                                       | 4,33.07         | -                            | -                              | -                        | 5,03.40                                       | 5,03.40         |
| Senior Staff Gratuity Fund   | -                            | -                              | -                        | 62.31   | 62.31           | -                            | -                              | -                        | 1,65.78                                       | 1,65.78         |
| Employees Gratuity Fund  | -                            | -                              | -                        | 2,44.40                                       | 2,44.40         | -                            | -                              | -                        | 40.22   | 40.22           |
| Indian Senior Executives Superannuation Scheme   | -                            | -                              | -                        | 42.83   | 42.83           | -                            | -                              | -                        | 48.47   | 48.47           |
| Others   | -                            | 80.90                          | -                        | -   | 80.90           | -                            | 2,34.23                        | -                        | -   | 2,34.23         |

\* Amount is inclusive of Service Tax

\*\* Includes recovery/ reimbursement of expenses on account of Employee's Cost, Travelling Expenses, Consultancy Fees and Other General expenses.

\*\*\* The contribution to Gratuity Fund and Post Employment Medical Assistance Scheme has been made on a group basis based on an actuarial valuation and separate figures applicable to an individual

\*\*\*\* Represents amounts included under Capital Work in Progress/ Fixed Assets on Note 9.

#### NOTE 34: SUBSEQUENT EVENT

GlaxoSmithKline Pte Limited "Acquirer" along with Horlicks Limited and GlaxoSmithKline Plc in their capacity as "Persons acting in concert", announced a Voluntary Open Offer for acquisition of 13,389,410 Shares representing 31.84% of the Equity Share Capital from the public shareholders of GlaxoSmithKline Consumer Healthcare Limited on November 26, 2012. The Offer opened on January 17, 2013 and concluded on January 30, 2013. Pursuant to the Offer, public shareholders holding 29.29% of the Equity Share Capital have tendered their shares for sale. The transfer / registration process for these shares is in progress.

#### NOTE 35: EARNING PER SHARE (EPS)

The numerator and denominator used to calculate Basic and Diluted Earnings per Share

|   |           | Year ended<br>December 31, 2012 | Year ended<br>December 31, 2011 |
|---|-----------|---------------------------------|---------------------------------|
| - Profit attributable to the Equity Shareholders (Rs.)                        | (A)       | <b>436,75,58,811</b>            | 355,20,70,384                   |
| - Basic/ Weighted average number of Equity Shares outstanding during the year | (B)       | <b>4,20,55,538</b>              | 4,20,55,538                     |
| - Nominal value of Equity Shares (Rs.)  |           | <b>10.00</b>                    | 10.00                           |
| - Basic/ Diluted Earnings Per Share (Rs.)                                     | (A) / (B) | <b>103.85</b>                   | 84.46                           |

#### NOTE 36: PREVIOUS YEAR'S FIGURES

The financial statements for the year ended December 31, 2011 had been prepared as per the then applicable, prerevised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended December 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For Price Waterhouse  
Firm Registration Number: 301112E  
Chartered Accountants

S.J. Scarrf  
*Chairman*

Ramakrishnan Subramanian  
Mukesh H. Butani  
*Directors*

Usha Rajeev  
*Partner*  
Membership No.: F 087191

Zubair Ahmed  
*Managing Director*

Surinder Kumar  
*Company Secretary*

Place : Gurgaon  
Dated: February 15, 2013



