



GLAXOSMITHKLINE
CONSUMER HEALTHCARE LTD.

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Chairman

Simon J. Scarff, O.B.E

Managing Director

Zubair Ahmed

Directors

Ashok Dayal (till 23.04.10)

Kunal Kashyap

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

Naresh Dayal (w.e.f. 23.04.10)

P. Dwarakanath

Praveen K. Gupta

Ramakrishnan Subramanian

Subodh Bhargava

Company Secretary

Surinder Kumar

Bankers

Deutsche Bank

Citibank N.A.

Bank of America

BNP Paribas

State Bank of India

HDFC Bank Limited

The Hongkong & Shanghai Banking
Corporation Limited

Auditors

Price Waterhouse

Registered Office

Patiala Road, Nabha 147 201 (Punjab)

Head Office

DLF Plaza Tower, DLF City Phase - I
Gurgaon 122 002 (Haryana)

Registrars And Transfer Agents

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

Financial Statistics

Ten Year Financial Statistics

(Rs. Lacs)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
SOURCES OF FUNDS										
Share Capital	45,38	45,38	45,38	45,38	42,06	42,06	42,06	42,06	42,06	42,06
Reserves & Surplus	3,96,04	4,37,84	4,46,73	4,83,92	4,33,05	5,00,66	6,04,29	7,18,82	8,63,04	9,17,98
TOTAL SHAREHOLDERS' FUNDS	4,41,42	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04
BORROWINGS	75,66	-	-	-	-	-	-	-	-	-
FUNDS EMPLOYED	5,17,08	4,83,22	4,92,11	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04
DEFERRED TAX LIABILITIES	28,16	35,63	28,16	31,98	27,60	24,06	17,28	6,58	-	-
TOTAL	5,45,24	5,18,85	5,20,27	5,61,28	5,02,71	5,66,78	6,63,63	7,67,46	9,05,10	9,60,04
APPLICATION OF FUNDS										
Gross Fixed Assets	4,96,90	5,15,56	4,92,22	5,04,63	5,17,74	5,28,21	5,40,99	5,55,34	5,96,26	7,07,29
Depreciation	84,55	1,22,70	1,62,31	1,97,24	2,33,95	2,70,32	2,97,65	3,29,24	3,64,00	3,96,71
NET FIXED ASSETS	4,12,35	3,92,86	3,29,91	3,07,39	2,83,79	2,57,89	2,43,34	2,26,10	2,32,26	3,10,58
INVESTMENTS	-	-	-	-	-	2,19,68	2,97,83	-	-	-
DEFERRED TAX ASSET	-	-	-	-	-	-	-	-	11,01	26,73
Gross Current Assets, Loans and Advances	2,98,15	2,93,43	3,63,02	4,32,20	4,01,79	2,97,76	3,71,13	8,53,37	11,72,91	1,42,313
Current Liabilities & Provisions	1,80,04	1,77,28	1,77,57	1,78,31	1,82,87	2,08,55	2,48,67	3,12,01	5,11,08	8,00,40
NET CURRENT ASSETS	1,18,11	1,16,15	1,85,45	2,53,89	2,18,92	89,21	1,22,46	5,41,36	6,61,83	6,22,73
MISCELLANEOUS EXPENDITURE	14,78	9,84	4,91	-	-	-	-	-	-	-
TOTAL APPLICATION	5,45,24	5,18,85	5,20,27	5,61,28	5,02,71	5,66,78	6,63,63	7,67,46	9,05,10	9,60,04

Ten Year Track Record

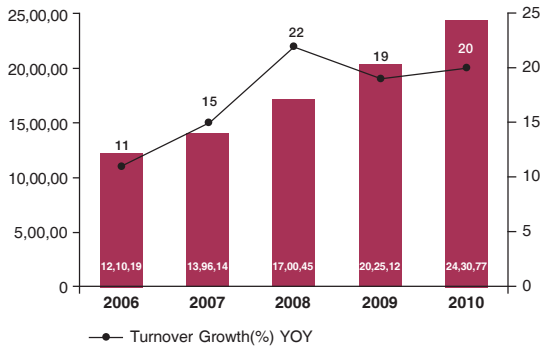
(Rs. Lacs)

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

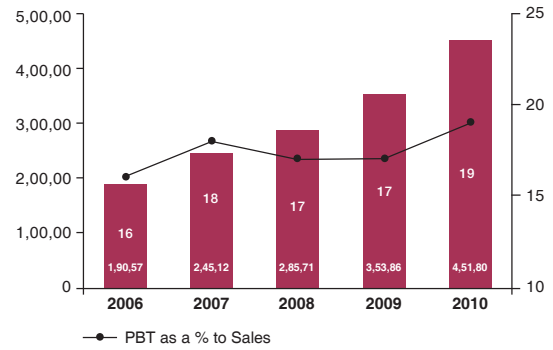


Financial Highlights

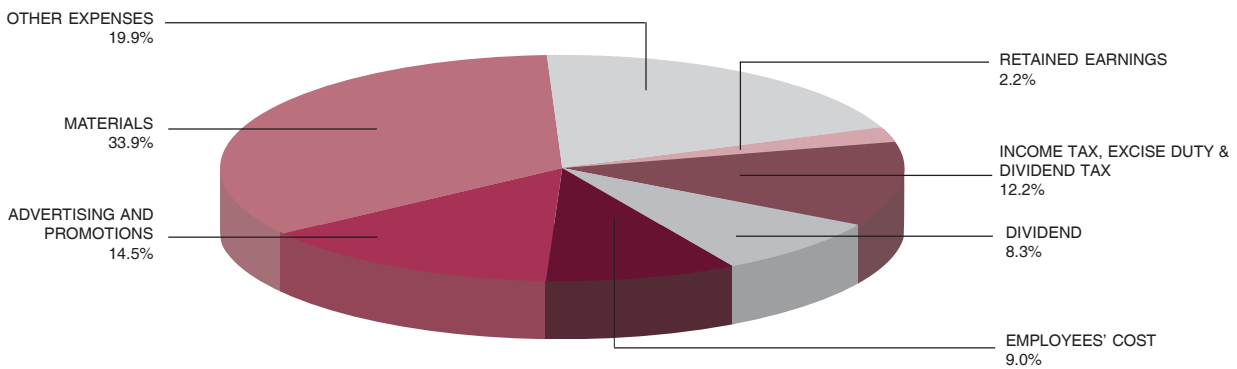
Turnover
(Rs. Lacs)



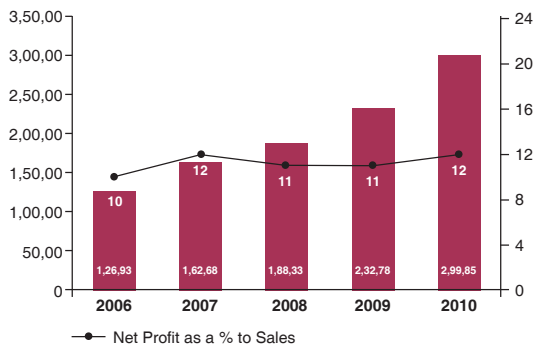
Profit Before Tax
(Rs. Lacs)



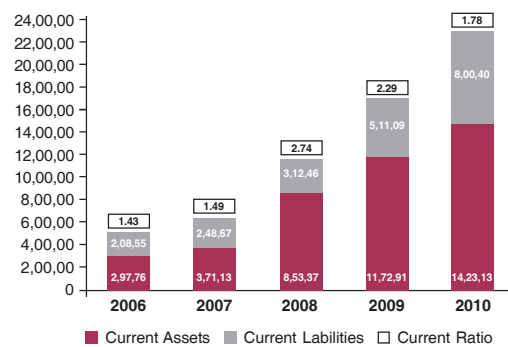
Utilization of Income 2010



Net Profit
(Rs. Lacs)



Current Ratio (Times)
(Rs. Lacs)



Directors' Report

Your Directors are pleased to present the Annual Report on the business and operations of your Company and the audited accounts of the Company for the year ended 31 December 2010.

Financial Results

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

Performance of the Company

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

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

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

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

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

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

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

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

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

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

Dividends

The Directors recommend a dividend of Rs. 50 (including a special dividend of Rs. 25) per equity share of Rs. 10 each for the financial year ended 31 December 2010, to celebrate the Golden Jubilee of your Company. If approved by the Members at the ensuing Annual General Meeting to be held on 29 March 2011, it will be paid on or before 11 April 2011 to those Members whose names appear in the Company's Register of Members and to those persons whose names appear as beneficial owners (as per the details to be furnished by the Depositories in respect of the shares held in dematerialised form) as at the close of business hours on 14 March 2011.

Reserves

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

Exports

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

Research and Development

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

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

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

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

ISO Certification

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonapat continue to be certified to the latest version of ISO 9001: 2008, ISO 22000: 2005, ISO 14001: 2004, OHSAS 18001: 2007 by SGS, a leading International Certification Company. These certifications indicate our commitment in meeting, in a sustainable manner, Global Quality, Environment Health and Safety Standards.

Information Technology

Your Company continues to be at the forefront of Information Technology having facilitated implementation of 'Shared Services Center' for financial processes. The Company has implemented robust supply chain planning solution and is stepping further to strengthen its sales force with latest technology.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information required as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, is given in the Annexure to this Report.

Directors

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

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

Auditors

Messrs. Price Waterhouse, Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Human Resource Development

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

Environment and Social Commitment

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

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

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

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

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

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

Particulars of Employees

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217 (2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Management Discussion and Analysis Report

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

Acknowledgements

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

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

Your Directors look forward to the future with confidence.

For and on behalf of the Board

S.J.Scarff <i>Chairman</i>	Zubair Ahmed <i>Managing Director</i>	R Subramanian Kunal Kashyap <i>Directors</i>
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Place : Gurgaon
Dated : 2 February 2011

Annexure to the Directors' Report 2010

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

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

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

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

2. Electricity

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

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

Various steps and measures are being initiated to continuously improve on consumption of coal and

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

(c) In respect of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

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

d) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in the Schedule thereto:

FORM "A"

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

B. Consumption per unit of Production:

1. Malt Based Food / Energy and Protein Health Food / Cereal Based Food / Powdered Milk (Per Ton)	0.53	455	0.54	479
2. Ghee & Butter (Per Ton)	0.29	137	0.27	149

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

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

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

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

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

(3) Further Plan of Action

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

(4) Expenditure on R&D

(Rs. Lacs)

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

TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION

The Company is continuously taking steps to improve the product and process technology in an effort to provide for better value for money to consumers.

C. Foreign Exchange Earnings and Outgo

(a) Activities relating to exports : Initiatives taken to increase exports: Development of new export methods for products and services and export plans

The Foreign Exchange Earnings through exports have substantially increased in the current year covering exports to Bangladesh, Myanmar, Sri Lanka, Malaysia, Middle East, Nigeria and Kenya. The efforts to broaden the export base to other countries in South East Asia and the Middle East are continuing.

(b) Total Foreign Exchange used and earned

(Rs. Lacs)

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

Directors' Responsibility Statement as per Section 217(2AA) Of The Companies Act, 1956

The financial statements of the Company for the year ended December 31, 2010 have been prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956. All the financial statements have been prepared on a historical cost convention, as a going concern and on the accrual basis. There have been no material departures in the adoption and application of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied except where otherwise stated in the notes to accounts.

The Board of Directors of GlaxoSmithKline Consumer Healthcare Limited (GSKCH) accepts the responsibility for the integrity and the objectivity of these financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis in order to ensure that the financial statements reflect in a true and fair manner the form and substance of the transactions and reasonably present the Company's state of affairs and profits for the year. To ensure this the Directors have taken proper and adequate care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. The internal control systems are reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been followed for safe-guarding the assets of the Company and for protecting any form of fraud and irregularities, subject to the inherent limitations in any system and procedure and coverage thereof that should be recognized in weighing the assurance provided by system of internal controls and accounts.

The financial statements have been audited by Price Waterhouse, Chartered Accountants. The Audit Committee of GSKCH meets on a quarterly basis to review the manner in which the internal auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

For and on behalf of the Board

S.J.Scarff Chairman	Zubair Ahmed Managing Director	R Subramanian Kunal Kashyap Directors
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Place : Gurgaon
Dated : 2 February 2011

Management Discussion and Analysis Report

Industry Structure and Development

The sharp and broad-based recovery of the Indian economy, which started in the last quarter of 2009 continued through 2010. As per the latest estimates released by the Central Statistical Organisation (CSO), the real economy expanded by 8.9 per cent during July to September 2010. A normal monsoon boosting the performance of the agriculture sector, robust Industrial production and continued momentum in the lead indicators services activities have collectively contributed to the improvement in the GDP growth. The Centre for Monitoring Indian Economy (CMIE) has estimated India's gross domestic product (GDP) to expand at 9.2 per cent in 2010-11 as compared to the growth of 7.4 per cent in 2009-10.

The FMCG sector which was estimated to be US \$ 25 billion in 2007-08 and comprised 2.15% of India's GDP is forecasted to grow to US \$ 74 billion by 2018. It has played a vital role in the growth and development of India and according to the findings of a recent survey conducted by the CII, it has helped the Indian economy to emerge speedily from the impact of the global recession. The growth in the FMCG sector is attributed to focused initiatives and strategies including new product innovation, measures to tap the vast niche segment and aggressive rural penetration to cater the rural demand.

Opportunities, Threats and Outlook

Favourable demand-side, supply-side and systemic drivers are expected to give a significant fillip to the FMCG sector. Consistent growth in India's GDP and the pay hikes to government employees have had led to substantial improvement in consumer disposable incomes. India also benefits from the most favourable demographics vis-à-vis other emerging economies in terms of a growing and young population. These factors along with greater awareness amongst the consumer community have led to better penetration of FMCG products. Further, with rising urbanisation, more people are expected to have exposure to modern products and brands and thus shift to branded and packaged goods and products. Urbanisation is also expected to serve as a conduit for information and goods from urban to rural areas. Additionally, improving agricultural output and implementation of various social security schemes for farmers & the rural poor coupled with low penetration levels make the rural market extremely attractive for the FMCG Companies.

Emergence of organised retail which is currently contributing in single digits in terms of sales to the overall retail sector is expected to significantly benefit the FMCG sector by offering new avenues and greater visibility to FMCG products. Low labour cost in India compared to many emerging countries also gives it an edge for establishing a manufacturing base for both domestic and international FMCG brands. The Government has made various positive policy changes including incentives in the forms of fiscal incentives, providing land at concessional rates and subsidies to encourage economic development, improvement in infrastructure particularly highways. These initiatives would augur well for the FMCG Industry and your Company.

Spiraling inflation, infrastructure bottlenecks, mounting competition and a complicated tax structure pose challenges to the FMCG Industry. Inflation has been at an all time high at 8-11% during 2010 adversely affecting profitability of FMCG Companies through rising input costs as well as subduing demand for FMCG products on account of reduced wallet share of the Customers. The Indian FMCG market being an attractive opportunity has also attracted a lot of competition. The year has seen new entrants, as well as launches into new categories by existing players. Increasing retail presence has also added to the challenge on account of emergence of private labels. World over, private labels have served to lower the consumers price points, particularly at the mass level. Counterfeit products and pass offs are also adding to the challenge to high quality brands which have invested significant amounts in Research & Development for creation of their products and building brand equity. Poor agricultural and transportation infrastructure add to the challenges faced by the FMCG Industry creating logistical bottlenecks as well as adding to inflationary pressures through high wastages. The FMCG Industry's problems are exacerbated by the complicated and high tax structure consisting of multiple taxes at the State as well Union levels. Implementation of the GST, which was expected to provide a major relief has also been further postponed.

The FMCG Industry has a tremendous opportunity for growth in India with the growing population, rising incomes, education and urbanisation, the advent of modern retail, and a consumption-driven society.

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. Learnings from these tests have 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, 2010.

The Company does not have significant import requirements for its production process. The Company exports during the year stood as Rs. 1,76,44.89 Lacs (which includes Rs. 43,13.14 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, authorised 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, Executive Vice President - Legal & Company Secretary and Executive 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 Operation

(A) Results of Operations

(1) Sales

Sales for 2010, increased by 20.0% driven both by volume as well as by price / yield increases. During the year the Company has launched a series of new products.

(2) Other Income

Other Income increased by Rs. 28,06.91 Lacs primarily due to improved yields from Bank Deposits and higher Business Auxiliary Services Commission.

(3) Expenditure

During the year, input cost of Raw Material, Packing Material and Finished Goods, as a percentage to sales has increased to 35.6% as against 35.3% last year mainly due to higher input costs (particularly sugar, liquid milk and skimmed milk powder).

The Company continued to invest behind the brands and Advertisement and Promotion expenses have increased by 23% during 2010 vis-à-vis 2009.

(4) Profit before Taxation

Profit before Taxation amounted to Rs. 4,51,80.45 Lacs and has increased by 27.7% over previous year.

(5) Provision for Taxation

The Company has made provisions for taxation for the year amounting to Rs. 1,51,95.21 Lacs (Including deferred tax) on Profits before Tax. The effective tax rate for the year at 33.70% is lower than 34.45% for 2009 due to reduction of tax rate for the fiscal year 2011.

(B) Financial Condition

(1) Reserves and Surplus

The Reserves and Surplus increased during the year by Rs. 54,94.26 Lacs. The transfer was made after providing for proposed Final Dividend of Rs. 2,10,27.77 Lacs and Dividend Tax amounting to Rs. 34,92.45 Lacs for the year 2010.

(2) Fixed Assets

Additions of Rs. 50,49.21 Lacs during the year include primarily Plant and Machinery (Rs. 37,58.81 Lacs), Buildings (Rs. 5,32.73 Lacs), Information Technology Equipment (Rs. 2,96.01 Lacs), and Motor Vehicles (Rs. 2,41.86 Lacs).

(3) Inventories

Inventories amounted to Rs. 3,12,00.06 Lacs as at 31 December 2010 as against Rs. 2,66,03.20 Lacs as at previous year end. The increase is primarily on account of an increase in Raw Materials from Rs. 51,14.09 Lacs in 2009 to Rs. 69,35.65 Lacs in 2010, in Own Manufactured Finished Goods from Rs. 1,53,18.67 Lacs in 2009 to Rs. 1,78,79.23 Lacs in 2010 and Purchased Finished Goods from Rs. 12,40.37 Lacs in 2009 to Rs. 18,28.45 Lacs in 2010.

(4) Sundry Debtors

Sundry debtors amounted to Rs. 50,53.34 Lacs as at 31 December 2010 as against Rs. 31,35.64 Lacs as at 31 December 2009.

The debtors as at end December 2010 represent 8 days' sale value.

(5) Cash and Bank Balances

Cash and Bank balances with scheduled banks amounted to Rs. 17,09.83 Lacs and short term deposits of Rs. 9,59,00.00 Lacs with various scheduled banks.

(6) Loans and Advances

Loans and advances amounting to Rs. 50,10.73 Lacs includes advances paid for raw and packing materials, stores and services, pre-paid insurance, loans to employees and balance with the Excise Authorities.

(7) Current Liabilities

Sundry Creditors amounting to Rs. 3,56,92.46 Lacs include creditors for advertising and promotion spends, raw materials, packing materials and creditors for capital purchases.

Other liabilities amounting to Rs. 78,64.61 Lacs include statutory dues for miscellaneous taxes and duties payable to various Government Agencies.

(8) Provisions

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 31 December 2010. Provision for estimated sales returns have been made based on estimates of the Management.

(9) Net Working Capital

The Company has a negative Working Capital (Excluding Cash and Bank Balances) of Rs.(3,53,37.29) Lacs as at 31 December 2010 as against negative Working Capital Rs. (1,57,97.64) Lacs as at 31 December 2009. Your Company has taken various measures towards reducing the Working Capital.

(10) Return on Capital Employed

The return on capital employed (average) during the year has increased to 32.2% from 27.9% last year. The percentage has been computed by dividing PAT by the average capital employed (shareholders' funds plus loan funds) during the year.

(11) Debt Equity Ratio

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

Material Developments on Human Resource/Industrial Relations Front

Please refer to the Directors Report on Human Resource Development.

The Company had 2863 permanent employees on its payroll as on 31 December 2010.

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
Chairman

Zubair Ahmed
Managing Director

Ramakrishnan Subramanian
Kunal Kashyap
Directors

Place : Gurgaon
Dated : 2 February 2011

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 always has been to achieve shareholder's satisfaction and maximize 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 December 31, 2010 are as under:

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at last AGM held on 23 April, 2010	No. of Directorships in other Public Companies	No. of Committee Position held in Other Public Companies	
					Chairman	Member
Mr. Simon J. Scarff	NEC	4	Yes	1	-	1
Mr. Zubair Ahmed	MD	4	Yes	1	-	-
Mr. Ashok Dayal (till 23 April 2010)	NED - I	1	Yes	3	1	-
Mr. Kunal Kashyap	NED - I	4	Yes	1	2	-
Mr. Mukesh H. Butani (w.e.f. 23 April 2010)	NED - I	2	No	1	1	-
Mr. Naresh Dayal (w.e.f. 23 April 2010)	NED - I	3	Yes	-	-	-
Mr. P. Dwarakanath	NED - I	4	Yes	5	-	1
Mr. Praveen K. Gupta	WTD	3	Yes	-	-	-
Mr. R Subramanian	WTD	4	Yes	-	-	-
Mr. Subodh Bhargava	NED - I	4	Yes	10	3	4

NEC - Non Executive Chairman
WTD - Wholetime Director

MD - Managing Director
NED-I - Non Executive Director - Independent

Details of Board Meetings during the year

The Board of Directors of the Company met four times during the year 2010 on 25 January, 23 April, 2 August and 2 November.

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 in 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. Till 23 April 2010, the Committee comprised of Mr. Subodh Bhargava as the Chairman with Mr. Kunal Kashyap and Mr. Ashok Dayal as the other two members of the Committee. The Committee was reconstituted with effect from 23 April 2010, with 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, KPMG Representatives (co-sourced internal auditors) and the Cost 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 23 April 2010 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.
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.
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:
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d) Internal audit reports relating to internal control weaknesses; and
 - e) 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 (w.e.f. 23 April 2010)	2
Mr. Ashok Dayal (till 23 April 2010)	2

b) Remuneration Committee

The Company has a Remuneration Committee which comprises of three members. Till 23 April 2010, the Committee comprised of Mr. Ashok Dayal as the Chairman of the Committee and Mr. Simon J Scarff and Mr. P. Dwarakanath as the other members of the Committee. The Committee was reconstituted on 23 April 2010 with 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.

One meeting of the Remuneration Committee was held during the year. Attendance at meetings during the year:

Director	No. of meetings attended
Mr. Ashok Dayal (till 23 April 2010)	1
Mr. Simon J. Scarff	1
Mr. P. Dwarakanath	1
Mr. Naresh Dayal (w.e.f. 23 April 2010)	-

Remuneration Policy

Payment of Commission and Sitting Fees to the Non Executive Directors and payment of Salary, Commission and Perquisites to the Wholtime 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 Wholtime 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 Wholtime directors of the Company is 60 years while for Non Executive Directors it is 75 years. The Notice period for the Wholtime 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 December 31, 2010:

(Rs.)

S.No.	Name	Designation/ Position	Salary	Benefits	Performance Incentive	Grand Total
1.	Mr. Zubair Ahmed	Managing Director	2,50,46,226	55,63,038	1,24,95,224	4,31,04,487
2.	Mr. R. Subramanian	Director - Finance	1,08,81,187	22,25,762	44,00,971	1,75,07,920
3.	Mr. Praveen K. Gupta	Director - Operations	1,11,59,504	11,23,604	22,31,400	1,45,14,508

(Rs.)

S.No.	Name	Particulars	Sitting Fees	Commission	Total
1.	Mr. Ashok Dayal (till 23 April 2010)	Non Executive Director - Independent	65,000	1,25,556	1,90,556
2.	Mr. Kunal Kashyap	Non Executive Director - Independent	1,35,000	4,00,000	5,35,000
3.	Mr. Mukesh H. Butani (w.e.f 23 April 2010)	Non Executive Director - Independent	60,000	2,75,556	3,35,556
4.	Mr. Naresh Dayal (w.e.f. 23 April 2010)	Non Executive Director - Independent	45,000	2,75,556	3,20,556
5.	Mr. P. Dwarakanath	Non Executive Director - Independent	1,20,000	4,00,000	5,20,000
6.	Mr. Simon J. Scarff	Non Executive Chairman	1,10,000	4,00,000	5,10,000
7.	Mr. Subodh Bhargava	Non Executive Director - Independent	1,35,000	4,00,000	5,35,000

Shareholding of Non Executive Directors

None of the Non Executive 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 241. 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 2010. The Company has advised Karvy Computershare Pvt. Ltd, its Registrar and Share Transfer Agent, to despatch the shares after transfer within two days from their approval at the Share Transfer Committee.

GENERAL BODY MEETINGS

Particulars of last three AGMs

Year	Date	Time	Venue	Special Resolution passed
2008	25 April 2008	09.30 a.m.	Punjab Public School Auditorium, The Punjab	No Special resolution
2009	24 April 2009	09.30 a.m.	Public School (Senior Wing),	No Special resolution
2010	23 April 2010	09.30 a.m.	Nabha 147 201 (Punjab)	No Special resolution

Postal Ballot Resolution

No Postal ballot resolution was passed during the year 2010. 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 2010, the Company has related party transactions as envisaged under the Corporate Governance Code which have been mentioned in Note 22 under Schedule 16 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 2010, the members of the Committee were Mr. Zubair Ahmed, Managing Director, Mr. Ramakrishnan Subramanian, Director - Finance, Mr. Praveen K. Gupta, 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 is kept informed of all the proceedings 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. 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.

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 23 meetings and 5 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.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting:

Date: The Fifty Second Annual General Meeting is scheduled to be held on Tuesday, 29 March 2011
 Time: 9.30 a.m.
 Venue: Punjab Public School Auditorium, The Punjab Public School (Senior Wing), Nabha 147 201 (Punjab)

Financial Year:

1 January 2010 to 31 December 2010

Financial Calendar:

S.No.	Particulars	Date of Board meeting
1.	Quarter ending 31 March 2011	May, 2011
2.	Quarter ending 30 June 2011	August, 2011
3.	Quarter ending 30 September 2011	November, 2011
4.	Quarter ending 31 December 2011	February, 2012

Book closure:

The books will be closed from 15 March 2011 to 28 March 2011 (both days inclusive).

Dividend payment:

For the year ended 31 December 2010, the Directors have recommended a dividend at the rate of Rs. 50 per equity share (Dividend of Rs. 25 per equity share and a Special Dividend of Rs. 25 per equity share to celebrate Golden Jubilee of the Company), subject to approval of the Members at the ensuing Annual General Meeting. If approved, the dividend shall be paid on or before 11 April 2011 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:

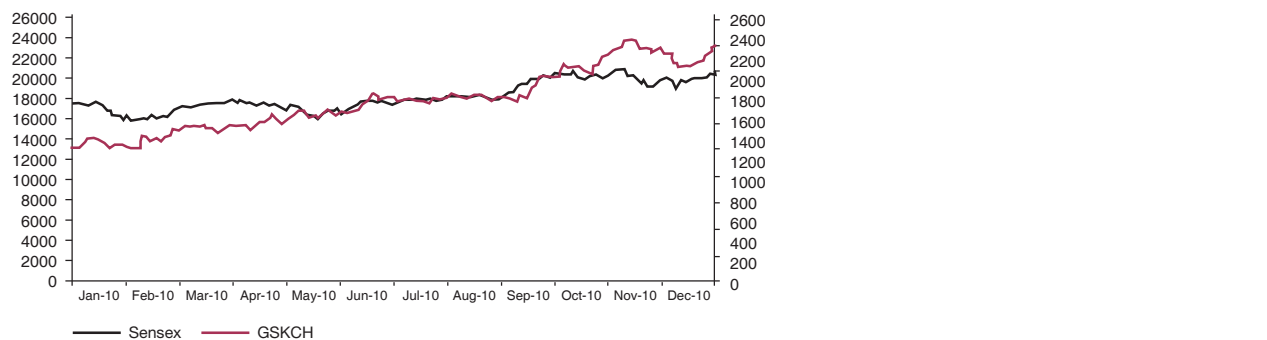
Stock Exchange	Stock Code
Bombay Stock Exchange Limited, Stock Exchange Towers, Dalal Street, Fort, Mumbai - 400 023	Physical 676 Demat 500676
National Stock Exchange of India Limited, Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051	GSKCONS

The Listing Fee for the year 2010-2011 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, 2010 - December, 2010 on the Stock Exchange, Mumbai

MONTH	HIGH	LOW	MONTH	HIGH	LOW
January, 2010	1408.20	1310.00	July, 2010	1814.65	1757.30
February, 2010	1436.90	1289.05	August, 2010	1847.40	1785.35
March, 2010	1535.80	1467.85	September, 2010	2033.10	1775.80
April, 2010	1649.10	1502.05	October, 2010	2197.60	1950.00
May, 2010	1685.10	1556.65	November, 2010	2391.00	2192.95
June, 2010	1858.40	1635.40	December, 2010	2312.00	2101.80

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 (Andhra Pradesh)

Distribution of shareholding as on 31 December, 2010:

No. of Shares	No. of Shareholders	No. of Shares	Percent of total shares
1 - 250	16930	1306795	3.11%
251 - 500	3873	1310785	3.12%
501 - 1000	1200	840965	2.00%
1001 - 2000	367	530308	1.26%
2001 - 3000	119	299557	0.71%
3001 - 4000	62	223196	0.53%
4001 - 5000	38	172510	0.41%
5001 - 10000	102	744003	1.77%
10001 AND ABOVE	176	36627419	87.09%
Total	22867	42055538	100%

S.No.	Particulars	No. of Shares Held	Percent of shares held (rounded off)
1.	Promoters - M/s Horlicks Limited	1,81,52,243	43.16
2.	Mutual Funds & UTI	37,62,824	8.95
3.	Banks, Financial Institutions & Insurance Companies	41,87,787	9.96
4.	Foreign Institutional Investors	47,54,483	11.31
5.	Private Corporate Bodies	44,16,850	10.50
6.	Indian Public	65,50,349	15.57
7.	NRIs / OCBs	96,296	0.23
8.	Trusts	1,000	0.00
9.	Clearing Members	1,33,706	0.32
	Total	4,20,55,538	100.00

Dematerialisation of shares and liquidity:

As on December 31, 2010, we have dematerialised 51.18 % of our equity share capital, whilst 43.16 % is held by Horlicks Ltd. in the physical form. Therefore, apart from Horlicks Ltd. holding, only 5.66 % 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:	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 Phone: 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 – 122002, Telephone: 0124-4097200 or 0124-2540724, Facsimile: 0124-2540720/21
Email for Investors:	igkcpl@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 : 2 February 2011

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, 2010.

Place : Gurgaon
Dated : 2 February 2011

Zubair Ahmed
Managing Director

Auditors' Certificate on compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreements

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, 2010 as stipulated in Clause 49 of the Listing Agreements of the 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.

Usha Rajeev
Partner

Membership No: F 087191

For and on behalf of

Price Waterhouse

Chartered Accountants

Firm Registration Number: 301112E

Place : Gurgaon

Dated : 2 February 2011

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, 2010 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 : 2 February 2011

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, 2010, and the related Profit and Loss Account 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account 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 the written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- (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, 2010;
 - (ii) in the case of the Profit and Loss Account, 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

Place : Gurgaon
Dated : 2 February 2011 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 for the year ended December 31, 2010.

1. (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.
2. (a) The inventory (excluding certain 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.

3. (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.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, 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.
5. (a) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- (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.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. 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.
9. (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, cess 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, wealth-tax, service-tax, customs duty, excise duty and cess as at December 31, 2010 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
EXCISE DUTY				
The Central Excise Act 1944	Excise duty on clearance from excise exempt zone	19,49.39	2008-2010	Himachal Pradesh, High Court
The Central Excise Act 1944	Valuation cases and other matters	1,48.55	1983-2003	Custom Excise Service Tax Appellate Tribunal, various states
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	48,58.68	1995-2007	Commissioner/Additional/Deputy/ Assistant Commissioner of Central Excise, Various States
Sub Total (A)		69,57.11		
SERVICE TAX				
The Finance Act, 1944	Maintenance of records for common inputs	53.98	2005-2008	Customs Excise Service Tax Appellate Tribunal Bangalore
Sub Total (B)		53.98		

Name of the Statute	Nature of dues	Amount (Rs. Lacs) #	Period to which the amount relates	Forum where the dispute is pending
SALES TAX				
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	4,53.50	1990-2007	At High Courts of Andhra Pradesh and Tamil Nadu
As per the statute applicable in the state of Chhattisgarh, Uttar Pradesh, West Bengal and Orissa	Additions on account of freebies and other disallowances	97.15	1983-2005	Sales Tax Appellate Tribunal/ Revenue Board
As per the statute applicable to Orissa, Assam, West Bengal, Madhya Pradesh, Maharashtra, Chhattisgarh and Kerala	Miscellaneous Demands	81.76	1999-2008	First Appellate Authorities at various levels
As per the statute applicable to Punjab, Delhi, Rajasthan, Uttar Pradesh, Goa, West Bengal, Bihar and Assam	Miscellaneous Demands	85.86	1999-2007	Adjudication Level
Sub Total (C)		7,18.27		
INCOME TAX				
The Income Tax Act, 1961	Additions to Income Tax	53,45.06	2006-07	Income Tax Appellate Tribunal
Sub Total (D)		53,45.06		
Grand Total (A+B+C+D)		1,30,74.42		

Includes interest and penalty amounts as specified in the demand order.

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

10. The Company has no accumulated losses as at December 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanations given to us and the records of the Company examined by us, the Company has not availed any loan from financial Institutions or banks or debenture holders as at the balance sheet date. Accordingly, there have been no defaults in repayment of dues.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. 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.
19. There are no debentures issued and outstanding at the year-end.
20. The Company has not raised any money by public issues during the year.
21. 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 fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants
Usha Rajeev
Partner
Place : Gurgaon
Dated : 2 February 2011

Membership Number: F 087191



Balance Sheet

As at December 31, 2010

	Schedule No.	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	42,05.55	42,05.55
Reserves and Surplus	2	9,17,98.32	8,63,04.06
TOTAL		9,60,03.87	9,05,09.61
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	5,98,96.20	5,58,47.73
Less: Depreciation		3,96,71.00	3,64,00.19
Net Block		2,02,25.20	1,94,47.54
Capital Work in Progress		1,08,32.62	37,78.61
		3,10,57.82	2,32,26.15
INVESTMENTS	4	0.05	0.05
DEFERRED TAX ASSET (net) [Schedule 16 (Notes 1(i) (b), 16)]		26,73.46	11,01.16
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	5	3,12,00.06	2,66,03.20
Sundry Debtors	6	50,53.34	31,35.64
Cash and Bank Balances	7	9,76,09.83	8,19,79.89
Other Current Assets	8	34,38.96	21,96.82
Loans and Advances	9	50,10.73	33,75.28
		14,23,12.92	11,72,90.83
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	10	4,70,36.73	3,75,31.85
Provisions	11	3,30,03.65	1,35,76.73
		8,00,40.38	5,11,08.58
NET CURRENT ASSETS		6,22,72.54	6,61,82.25
TOTAL		9,60,03.87	9,05,09.61
Notes to the Accounts	16		

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

The schedules referred to above form an integral part of the Balance Sheet.

Ramakrishnan Subramanian
Kunal Kashyap
Directors

Usha Rajeev
Partner
Membership No.: F 087191

Zubair Ahmed
Managing Director

Surinder Kumar
Company Secretary

Place : Gurgaon
Dated : 2 February 2011

Profit And Loss Account

For the year ended December 31, 2010

	Schedule No.	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
INCOME			
Sales [Schedule 16 Notes 1(h), 6]		24,30,77.18	20,25,12.04
Less: Excise Duty		<u>1,24,65.35</u>	<u>1,03,61.81</u>
Other Income	12	1,17,39.28	89,32.37
TOTAL		<u><u>24,23,51.11</u></u>	<u><u>20,10,82.60</u></u>
EXPENDITURE			
Consumption of Raw Materials [Schedule 16 (Notes 7, 8, 9)]		5,85,21.16	4,92,66.44
Consumption of Packing Materials		1,93,12.92	1,69,92.15
Purchased Finished Goods [Schedule 16 (Note 10)]		1,16,37.05	65,23.09
Employees' Cost	13	2,29,66.31	2,00,69.58
Expenses	14	8,37,42.28	7,00,25.78
Depreciation/Amortization	3		
- On Patents and Trade Marks		38.38	4,60.62
- On Other Fixed Assets		<u>39,32.56</u>	<u>37,41.81</u>
Adjustment due to (Increase)/Decrease in Stock of Finished Goods and Goods in Process	15	(29,80.00)	(13,82.90)
TOTAL		<u><u>19,71,70.66</u></u>	<u><u>16,56,96.57</u></u>
PROFIT BEFORE TAX			
Tax for the year - Current Tax		4,51,80.45	3,53,86.03
- Deferred Tax Charge / (Credit)		1,67,97.00	1,39,50.00
- Fringe Benefits Tax		(15,72.30)	(17,59.61)
- Adjustments relating to previous years (net)		-	1,78.73
[Schedule 16 (Notes 1(i), 16)]		(29.49)	(2,61.37)
PROFIT AFTER TAX AVAILABLE FOR APPROPRIATION		<u><u>2,99,85.24</u></u>	<u><u>2,32,78.28</u></u>
Balance brought forward		1,20,93.93	-
Adjustment of Differential Dividend Tax for Prior year		29.24	-
BALANCE AVAILABLE FOR APPROPRIATION		<u><u>4,21,08.41</u></u>	<u><u>2,32,78.28</u></u>
APPROPRIATIONS:			
Proposed Dividend - Final		2,10,27.77	75,70.00
Corporate Dividend Tax		34,92.45	12,86.52
Transferred to General Reserve		29,98.52	23,27.83
SURPLUS CARRIED TO BALANCE SHEET		<u><u>1,45,89.67</u></u>	<u><u>1,20,93.93</u></u>
Earnings Per Share (Nominal value of Rs. 10 each)			
Basic/Diluted (Rs.) [Schedule 16 (Note 18)]		71.30	55.35
Notes to the Accounts	16		

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

The schedules referred to above form an integral part of the Profit And Loss Account.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

S.J. Scarff
Chairman

Ramakrishnan Subramanian
Kunal Kashyap
Directors

Usha Rajeev
Partner
Membership No.: F 087191

Zubair Ahmed
Managing Director

Surinder Kumar
Company Secretary

Place : Gurgaon
Dated : 2 February 2011

Cash Flow Statement

For the year ended December 31, 2010

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX	4,51,80.45	3,53,86.03
Add: Depreciation / Amortization		
- On Patents and Trade Marks	38.38	4,60.62
- On Other Fixed Assets	39,32.56	37,41.81
Provision for Doubtful Debts	89.78	1,12.35
Provision for Stock Obsolescence/ Stock written off	5,26.28	1,98.86
Interest Expense	2,60.15	4,02.90
Loss on Fixed Assets retired from active use/ Provision for Capital Work in Progress	81.27	1,65.90
Less: Interest Income	(43,50.78)	(24,46.46)
Release of accruals	(7,98.05)	(9,00.69)
Profit on sale of Fixed Assets (net)	(2,68.88)	(15.60)
Operating Profit Before Working Capital Changes	4,46,91.16	3,71,05.72
Add/(Less): (Increase)/Decrease in Current Assets		
Sundry Debtors	(20,07.48)	10,77.03
Loans & Advances	(20,43.62)	4,14.02
Other Current Assets	(2,71.00)	3,33.84
Inventories	(51,23.14)	9,14.97
Add/(Less): Increase/(Decrease) in Current Liabilities and Provisions	1,33,45.48	1,41,37.76
Cash Generated from Operations	4,85,91.40	5,39,83.34
Less: Income Tax paid (net of refunds) [excludes tax deducted at source]		
- Current Tax	(1,59,70.00)	(1,35,00.00)
- Fringe Benefits Tax	-	(4,84.03)
Net Cash flow from Operating Activities	3,26,21.40	3,99,99.31
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets / Additions to Capital Work in Progress	(1,14,30.42)	(46,29.21)
Sale proceeds of Fixed Assets	5,66.98	1,02.62
Interest Received	29,24.48	23,68.70
Net Cash flow from Investing Activities	(79,38.96)	(21,57.89)

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(2,45.21)	(4,76.79)
Dividend Paid	(75,50.01)	(21,25.07)
Dividend Tax Paid	(12,57.28)	(3,57.36)
Net cash flow from Financing Activities	(90,52.50)	(29,59.22)
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1,56,29.94</u>	<u>3,48,82.20</u>
Cash and Cash Equivalents at the beginning of the year		
Cash and Bank Balances [including exchange fluctuation (gain)/ loss Rs.1.98 Lacs (Previous Year Rs. (0.51) Lacs)]	8,19,79.89	4,70,97.69
Cash and Cash Equivalents at the end of the year		
Cash and Bank Balances [including exchange fluctuation (gain)/ loss Rs. (0.63)Lacs (Previous Year Rs. 1.98 Lacs)]	9,76,09.83	8,19,79.89
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>1,56,29.94</u>	<u>3,48,82.20</u>

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. Cash and Cash equivalents include balances with Scheduled Banks on Dividend accounts Rs. 1,20.25 Lacs (Previous Year Rs. 1,00.27 Lacs) and Rs. 1.08 Lacs (Previous Year Rs. 1.10 Lacs) lodged as Security Deposits, which are not available for use by the Company.
3. Notes to the Accounts (Schedule 16) form an integral part of the Cash Flow Statement.
4. 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
Kunal Kashyap
Directors

Usha Rajeev
Partner
Membership No.: F 087191

Zubair Ahmed
Managing Director

Surinder Kumar
Company Secretary

Place : Gurgaon
Dated : 2 February 2011

Schedules

Forming Part of the Accounts

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
1. SHARE CAPITAL		
AUTHORISED		
6,00,00,000 Equity Shares of Rs. 10 each	<u>60,00.00</u>	<u>60,00.00</u>
ISSUED AND SUBSCRIBED		
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>

Notes:

- 2,17,386 Equity Shares of Rs. 10 each were allotted as fully paid-up pursuant to a contract for consideration other than cash.
- 2,77,60,539 Equity Shares of Rs.10 each were allotted as fully paid-up bonus shares by capitalisation of reserves Rs. 27,10.02 Lacs and share premium Rs. 66.03 Lacs in the year 1995.
- 1,70,17,733 Equity Shares of Rs.10 each were allotted as fully paid-up bonus shares by capitalisation of reserves Rs. 17,01.77 Lacs in the year 1997.
- 33,25,083 Equity Shares of Rs. 10 each fully Paid up were bought back by capitalisation of reserves Rs. 3,32.51 Lacs in the year 2005.

2. RESERVES AND SURPLUS

GENERAL RESERVE

As per last Balance Sheet	7,38,77.62	7,15,49.79
Transferred from Profit and Loss Account	<u>29,98.52</u>	<u>23,27.83</u>
	<u>7,68,76.14</u>	<u>7,38,77.62</u>

CAPITAL REDEMPTION RESERVE*

3,32.51	3,32.51
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SURPLUS CARRIED FROM PROFIT AND LOSS ACCOUNT

1,45,89.67	1,20,93.93
<u>9,17,98.32</u>	<u>8,63,04.06</u>

* Schedule 1 [Note 4]

3. FIXED ASSETS *

(Rs. Lacs)

	GROSS BLOCK				DEPRECIATION / AMORTIZATION				NET BLOCK	
	Cost As at January 1, 2010	Additions during the Year	Deletions / Adjustments during the Year	Cost As at December 31, 2010	Upto January 1, 2010	During the Year #	Deletions / Adjustments during the Year	Upto December 31, 2010	As at December 31, 2010	As at December 31, 2009
Tangible Assets										
Land (Freehold)	14,49.79	29.99	-	14,79.78	-	-	-	-	14,79.78	14,49.79
Buildings***	95,66.22	5,32.73	2,62.66	98,36.29	24,59.31	2,93.88	69.62	26,83.57	71,52.72	71,06.91
Plant & Machinery ** °	3,20,34.93	37,58.81	3,15.16	3,54,78.58	2,30,01.93	30,17.91	3,00.55	2,57,19.29	97,59.29	90,33.00
Information Technology Equipment °	17,95.15	2,96.01	76.36	20,14.80	14,05.12	1,88.86	76.81	15,17.17	4,97.63	3,90.03
Furniture & Fittings	11,61.92	77.70	42.04	11,97.58	8,38.22	68.50	41.05	8,65.67	3,31.91	3,23.70
Office Equipment °	14,01.09	1,12.11	41.76	14,71.44	10,34.52	1,14.09	38.46	11,10.15	3,61.29	3,66.57
Motor Vehicles	9,74.69	2,41.86	2,62.76	9,53.79	4,12.38	1,69.51	1,76.15	4,05.74	5,48.05	5,62.31
Leasehold Improvements	8,22.22	-	-	8,22.22	6,45.37	82.32	-	7,27.69	94.53	1,76.85
Intangible Assets										
Patent and Trade Marks ***	66,41.72	-	-	66,41.72	66,03.34	38.38	-	66,41.72	-	38.38
	<u>5,58,47.73</u>	<u>50,49.21</u>	<u>10,00.74</u>	<u>5,98,96.20</u>	<u>3,64,00.19</u>	<u>39,73.45</u>	<u>7,02.64</u>	<u>3,96,71.00</u>	<u>2,02,25.20</u>	<u>1,94,47.54</u>
Previous Year	5,39,46.80	27,13.78	8,12.85	5,58,47.73	3,29,23.59	42,02.43	7,25.83	3,64,00.19		
Capital Work in Progress includes Capital Advances - Rs. 50,75.30 (Previous Year Rs. 3,06.99 Lacs) **** #									1,08,32.62	37,78.61
									<u>3,10,57.82</u>	<u>2,32,26.15</u>

* Schedule 16 [Note 1(b)]

Includes Depreciation amounting to Rs. 2.51 Lacs for Capital Project transferred to CWIP

** 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.

° Includes assets retired from active use, being carried at their estimated realisable value aggregating to Rs. 23.05 Lacs (Previous Year Rs. 23.67 Lacs). (Also refer Schedule 14)

**** Net of Provision for Capital Work in Progress aggregating Rs. 3,17.00 Lacs (Previous Year 2,30.57). (Also refer Schedule 14)

**As at
December 31,
2010
(Rs. Lacs)**

**As at
December 31,
2009
(Rs. Lacs)**

4. INVESTMENTS ***Long Term Investments (Non Trade) Unquoted**

Government securities at Cost
7 - year National Saving Certificates
(Lodged with Government Authorities)

0.05

0.05

0.050.05

* Schedule 16 [Note 1(d)]

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
5. INVENTORIES *		
(At lower of Cost and Net Realisable Value)		
Raw Materials [Includes Goods in Transit Rs. 3,76.50 Lacs (Previous Year Rs. 1,62.61 Lacs)]	69,35.65	51,14.09
Packing Materials [Includes Promotional material Rs. NIL Lacs (Previous Year Rs. 6,69.83 Lacs)] and Goods in Transit Rs. 19.80 Lacs (Previous Year Rs. 87.49 Lacs)]	13,33.99	18,33.38
Goods in Process	19,32.19	19,77.35
Purchased Finished Goods	18,28.45	12,40.37
Finished Goods (including Bulk powder)	1,78,79.23	1,53,18.67
Stores and Spare parts	12,00.35	9,05.66
By-Products (at Net Realisable Value)	90.20	2,13.68
	<u>3,12,00.06</u>	<u>2,66,03.20</u>
* Schedule 14, Schedule 16 [Notes 1(e), 10, 21]		
6. SUNDRY DEBTORS		
(Considered good, unless otherwise stated)		
Over six months		
Secured - Considered good	56.70	43.58
Unsecured - Considered good	49.74	25.85
Unsecured - Considered doubtful	2,58.34	1,31.83
Less: Provision for doubtful debts	<u>(2,58.34)</u>	<u>(1,31.83)</u>
	1,06.44	69.43
Others		
Secured - Considered good	2,99.69	6,60.07
Unsecured - Considered good	46,47.21	24,06.14
Unsecured - Considered doubtful	-	73.36
Less: Provision for doubtful debts	<u>-</u>	<u>(73.36)</u>
	49,46.90	30,66.21
	<u>50,53.34</u>	<u>31,35.64</u>
7. CASH AND BANK BALANCES		
Cash and cheques in hand	-	39.49
With Scheduled Banks:		
On Current Accounts	15,88.50	35,19.03
On Dividend Accounts	1,20.25	1,00.27
On Fixed Deposit Accounts	9,59,00.00	7,83,20.00
Post Office Savings Bank Account (Lodged as Security Deposits)	1.08	1.10
	<u>9,76,09.83</u>	<u>8,19,79.89</u>

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
8. OTHER CURRENT ASSETS		
(Considered good, unless otherwise stated)		
Interest accrued on Fixed Deposit Accounts / Loans	12,77.95	3,06.81
Other Receivables - Considered good	8,73.12	5,54.79
Other Receivables - Considered doubtful	82.99	1,05.81
Less: Provision for Doubtful receivables	<u>(82.99)</u>	<u>(1,05.81)</u>
Security Deposits	12,87.89	13,35.22
	<u>34,38.96</u>	<u>21,96.82</u>
9. LOANS AND ADVANCES *		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured	32,69.24	18,61.18
- Secured	<u>3,78.09</u>	<u>3,74.78</u>
Balances with Excise authorities	23.63	25.28
Fringe Benefits Tax	30.00	-
[Net of Provision - Rs. 21,44.17 Lacs]		
Advance Tax	13,09.77	11,14.04
[Net of Provision for Tax - Rs. 7,08,55.84 Lacs (Previous Year Rs. 5,40,58.84 Lacs)]	<u>50,10.73</u>	<u>33,75.28</u>
* Includes amount due from Directors/ Officers of the Company		
Maximum amount outstanding during the year	7.01	6.27
10. CURRENT LIABILITIES *		
Sundry Creditors		
- Total outstanding dues of micro and small enterprises	10,23.21	16,41.58
- Total outstanding dues other than micro and small enterprises	3,46,69.25	2,68,58.20
Other Liabilities	78,64.61	57,04.14
Advances from Customers	2,72.97	7,48.71
Trade Security Deposits	30,86.44	24,78.95
Unclaimed Dividend	1,20.25	1,00.27
	<u>4,70,36.73</u>	<u>3,75,31.85</u>

* Schedule 16 [Notes 20, 24]

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
11. PROVISIONS *		
Fringe Benefits Tax [Net of Advance Tax - (Previous Year Rs. 21,07.85 Lacs)]	-	65.81
Employee Benefits	33,46.49	26,60.41
Proposed Final Dividend	2,10,27.77	75,70.00
Corporate Dividend Tax	34,92.45	12,86.52
Other Provisions	51,36.94	19,93.99
	<u>3,30,03.65</u>	<u>1,35,76.73</u>

* Schedule 16 [Notes 1(g), 1(i), 1(l), 15, 26(a)]

	Year Ended December 31, 2010 (Rs. Lacs)	Year Ended December 31, 2009 (Rs. Lacs)
12. OTHER INCOME *		
Miscellaneous Sales	5,23.82	4,89.09
Business Auxillary Service Commission	54,41.53	46,71.69
Insurance and other claims	-	1,44.01
Miscellaneous Income	3,56.22	2,64.83
Release of accruals	7,98.05	9,00.69
Profit on sale of Fixed Assets (net)	2,68.88	15.60
Interest Income (gross) [Tax Deducted at Source Rs. 4,42.00 Lacs (Previous Year Rs.4,05.71 Lacs)]		
- Loans/Deposits	5.22	3.71
- Bank Deposits	43,20.11	23,99.57
- Income tax refunds	13.16	32.75
- Others	12.29	10.43
	<u>43,50.78</u>	<u>24,46.46</u>
	<u>1,17,39.28</u>	<u>89,32.37</u>

* Schedule 16 [Notes 1(c), 1(h), 22(c)]

13. EMPLOYEES' COST *		
Salaries, Wages and Bonus	1,78,81.06	1,53,52.28
Contribution to Provident and Other Funds	27,72.50	23,60.62
Welfare Expenses	23,12.75	23,56.68
	<u>2,29,66.31</u>	<u>2,00,69.58</u>

* Schedule 16 [Notes 1(g), 15, 19, 23]

	Year Ended December 31, 2010 (Rs. Lacs)	Year Ended December 31, 2009 (Rs. Lacs)
14. EXPENSES *		
Stores and Spare Parts consumed	1,94.65	1,79.68
Conversion charges to third parties	87,26.05	72,07.56
Repairs & Maintenance		
- Buildings	1,58.09	3,40.04
- Plant & Machinery	8,80.75	9,88.28
- Others	6,45.12	5,22.09
Power and fuel	45,28.50	39,64.30
Rent (including Lease Rent)	18,86.34	17,73.22
Rates and Taxes	17,78.69	17,02.86
Insurance and other claims	4,17.64	4,90.33
Travelling	12,22.73	11,71.14
Carriage and Freight	1,12,93.43	89,95.13
Discounts - Sales	52.85	27.95
Donations	59.97	71.40
Advertising and Promotions	3,70,62.85	3,02,08.84
Royalty	81,82.55	70,38.90
Exchange fluctuation (net)	1,25.56	26.89
Scientific Research and Development	3,98.17	5,22.20
Interest Expense - Others	2,60.15	4,02.90
Provision for Doubtful Debts/ Bad Debts written off	89.78	1,12.35
Loss on Fixed Assets retired from active use / Provision for Capital Work in Progress	81.27	1,65.90
Provision for Stock Obsolescence/ Stock written off	5,26.28	1,98.86
Excise duty adjustment for movement in Finished Goods Inventory	6,32.53	(3,36.88)
Other General Expenses	45,38.33	42,51.84
	<u>8,37,42.28</u>	<u>7,00,25.78</u>

* Schedule 16 [Notes 1(c), 1(f), 1(j), 1(k), 1(l), 5, 8, 9, 24, 25, 26(a)]

15. ADJUSTMENT DUE TO (INCREASE)/ DECREASE IN STOCK OF FINISHED GOODS AND GOODS IN PROCESS

Opening Stock			
Finished Goods (including Bulk powder)	1,53,18.67	1,58,21.40	
Goods in Process	19,77.35	14,31.96	
Purchased Finished Goods	12,40.37	-	
By-Products	<u>2,13.68</u>	<u>1,13.81</u>	1,73,67.17
Less: Closing Stock			
Finished Goods (including Bulk powder)	1,78,79.23	1,53,18.67	
Goods in Process	19,32.19	19,77.35	
Purchased Finished Goods	18,28.45	12,40.37	
By-Products	<u>90.20</u>	<u>2,13.68</u>	1,87,50.07
Net (Increase)/Decrease	<u>(29,80.00)</u>	<u>(13,82.90)</u>	

16. NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Convention

The Financial Statements are prepared to comply in all material aspects with all the applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

b. Fixed Assets and Depreciation / Amortization

All tangible fixed assets are stated at historical cost less accumulated depreciation. Cost includes all incidental expenditure net of CENVAT wherever applicable. 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 31 December 1994	Assets acquired after 30 April 1986 but up to 31 December 1994	Assets acquired after 31 March 1983 but up to 30 April 1986	Assets acquired up to 31 March 1983
Buildings				
- Factory	-	-	3.5	2/3.5/5.5
- Non – factory	2 / 6.67	2	2	2/2.5
- Tubewells	10	10	10	10/100
Plant and Machinery				
- 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	-	-
Information Technology Equipment (including Computer Software acquired for internal use)				
	20/25/33.33	25	25	25
Motor Vehicles	14.28/20	14.28/20	14.28/20	14.28/20/25
Furniture and Fittings	10/20	10/20	10/20	10/20
Office Equipment	10/12.5	10	10	10

Patents and Trade Marks (Intangible Assets) are accounted at their cost of acquisition and amortized over their estimated economic life not exceeding 10 years. Leasehold improvements are charged to the Profit and Loss Account over the primary period of lease. At each Balance Sheet date, the Company assesses whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognized in the accounts to the extent the carrying amount exceeds the recoverable amount.

c. 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.

d. Investments

Long term Investments are stated at cost less provision, if any, for diminution other than temporary diminution in the value of such investments. Current investments are valued at lower of cost and net realizable/fair value.

e. 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. Provision for inventory obsolescence is made based on the best estimates of management.

f. 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.

g. Employee Benefits

The Company has a Defined Contribution plan for post employment benefit namely Superannuation Fund 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.

The Company has Defined Benefit plans namely leave encashment /compensated absences for workers, Gratuity and Provident Fund for all employees and post-employment medical assistance scheme for certain employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year. The Gratuity Fund and Provident Fund are recognized by the income tax authorities and are administered through trustees. The 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. The Company provides for compensated absences for management, executive and staff (Short term defined benefit) during the year on an arithmetical basis.

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.

h. 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 title of the goods is passed to the customer. 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. Also, Refer Note 22(c).

i. 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.

a) 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, 2010 has been determined based on the results for 3 months ended March 31, 2010 (Assessment Year 2010-2011) and for the 9 months ended December 31, 2010 (Assessment Year 2011-2012). The ultimate liability for the Assessment Year 2011-2012, however, will be determined on the total income of the Company for the year ending on March 31, 2011.

b) 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/virtual liability can be realized.

c) 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.

j. Borrowing Costs

The interest on working capital management is charged against the profits for the year in which it is incurred. Interest on borrowings for capital assets is capitalized till the date of commencement of commercial use of the asset.

k. 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.

l. Provisions and Contingent Liabilities

A provision is recognized when there is a present obligation as a result of past events for which it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed after an evaluation of the facts and legal aspects of the matters involved.

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
2. Estimated amount of Contracts remaining to be executed on Capital account (net of Capital Advances) and not provided for	1,88,60.53	26,63.24
	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
3. Remuneration to Directors (Amount paid/ payable)		
Salaries and allowances	6,62.15	5,68.94
Contribution to Provident and other Funds	75.78	63.48
Value of Perquisites	13.34	13.29
Directors' sitting fees	6.70	6.75
Commission / Other payments to Non-Executive Directors	22.77	22.53
	<u>7,80.74</u>	<u>6,74.99</u>

Notes:

- i. The contribution to Gratuity Fund and Post Employment Medical assistance has been made on a group basis based on an actuarial valuation and separate figures applicable to an individual employee are not available and accordingly, the same has not been considered in the above computation.

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
Computation of Net Profits under Section 198/349 of the Companies Act, 1956 and calculation of Commission payable to Non-Executive Directors -		
Profit before Tax	4,51,80.45	3,53,86.03
Add: Directors' Remuneration	7,51.27	6,45.71
Directors' sitting fees	6.70	6.75
Commission / other payments to Non Executive Directors	22.77	22.53
Provision for doubtful other current assets/advances /Debts	89.78	1,12.35
Exgratia	4,27.06	3,67.90
Loss on fixed assets retired from active use	81.27	25.66
(Profit) / Loss on sale of fixed assets (net)	<u>(2,68.88)</u>	<u>(15.60)</u>
Net Profits under section 198/349 on which Commission is payable	<u>4,62,90.42</u>	<u>3,65,51.33</u>
Commission payable to Non-Executive Directors		
Maximum allowed as per the Companies Act, 1956 at 1%	4,62.90	3,65.51
Restricted by the Board of Directors to	24.00	24.00

Note: The Company depreciates its fixed assets based on estimated useful lives that in certain cases are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company in such cases are higher than the minimum rates prescribed by Schedule XIV.

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
4. Payments in respect of Auditors' Remuneration * -		
(i) Statutory Audit	27.02	24.27
(ii) Tax Audit	19.85	17.65
(iii) In other capacity	22.71	18.75
(iv) Out-of-Pocket expenses	5.79	3.81
	<u>75.37</u>	<u>64.48</u>
* includes service tax		
5. Expenditure indicated below allocated to other Revenue Accounts :		
Consumption of Stores and Spare Parts	35,73.32	34,03.35
Insurance	4,42.33	3,82.79
Scientific Research and Development	18,26.85	17,51.66

	Unit	Year ended December 31, 2010		Year ended December 31, 2009	
		Quantity	Value (Rs. Lacs)	Quantity	Value (Rs. Lacs)
6. Sales / Turnover					
Class of Goods :					
(i) Malt Based food / Cereal Based Beverage / Protein Rich Food	DOZS*	1,82,80,410	22,83,72.18	1,61,32,245	19,23,67.29
(ii) Biscuits and Snack Foods **	DOZS*	1,75,58,927	1,35,54.89	1,25,67,368	89,89.20
(iii) Ready-to-Drink ***	TH	(171)	(0.25)	2,451	2,77.36
(iv) Non Carbonated water based Beverage	TH	359	48.10	-	-
(vi) Ghee (By Product)	MT	571	11,02.26	529	8,78.19
			<u>24,30,77.18</u>		<u>20,25,12.04</u>

* Converted into uniform pack size.

** Includes manufactured quantities of Biscuits Nil (Previous Year 19,26,295 Dozs) aggregating to Rs. Nil (Previous Year 8,14.17 Lacs)

*** Figures in brackets represent sales returns

	Unit	Year ended December 31, 2010		Year ended December 31, 2009	
		Quantity	Value (Rs. Lacs)	Quantity	Value (Rs. Lacs)
7. Raw Materials Consumed (Refer Note 9) (Includes goods processed by third parties)					
Milk Powder	MT	7,996	1,16,64.83	7,960	1,05,45.35
Liquid Milk	MT	59,130	1,21,97.45	59,090	1,00,97.62
Malt and Malt Extract	MT	65,041	1,42,09.62	57,826	1,37,97.20
Flour (Wheat)	MT	29,167	47,43.81	25,760	39,85.38
Others			1,65,34.49		1,13,37.96
			<u>5,93,50.20</u>		<u>4,97,63.51</u>

		Year ended December 31, 2010		Year ended December 31, 2009	
		Percentage	Value (Rs. Lacs)	Percentage	Value (Rs. Lacs)
8. Imported and Indigenous Raw Materials, Spare Parts and Stores consumed:					
(a) Raw Materials (Refer Note 9):					
Imported		2.44	14,47.98	0.24	1,19.93
Indigenous		97.56	5,79,02.22	99.76	4,96,43.58
		<u>100.00</u>	<u>5,93,50.20</u>	<u>100.00</u>	<u>4,97,63.51</u>
(b) Spare Parts and Stores (Refer Note 5):					
Imported		0.00	0.09	0.08	2.77
Indigenous		100.00	37,67.88	99.92	35,80.26
		<u>100.00</u>	<u>37,67.97</u>	<u>100.00</u>	<u>35,83.03</u>

9. Raw Materials consumed as shown under Notes 7 and 8 (a) above includes Rs. 5,83.40 Lacs (Previous Year Rs. 4,05.12 Lacs) being the cost of materials consumed on samples used for promotional purposes included under Advertising and Promotion expenses (Refer Schedule 14), Rs. 64.15 Lacs (Previous Year Rs. 45.10 Lacs) being the cost of stock breakages recoverable from the Insurance Company and provision for stock obsolescence Rs. 1,81.49 Lacs (Previous Year Rs. 46.85 Lacs).

10. Details of Purchased Finished Goods:

Unit	Opening stock				Purchases				Closing Stock*				
	As on January 1, 2010		As on January 1, 2009		Year Ended December 31, 2010		Year Ended December 31, 2009		As on December 31, 2010		As on December 31, 2009		
	Quantity	Value Rs. (Lacs)	Quantity	Value Rs. (Lacs)	Quantity	Value Rs. (Lacs)	Quantity	Value Rs. (Lacs)	Quantity	Value Rs. (Lacs)	Quantity	Value Rs. (Lacs)	
Biscuits and Snack													
Foods	DOZS	18,21,973	12,40.37	-	-	1,78,59,544	1,16,37.05	1,18,29,951	62,37.76	24,08,193	18,28.45	18,21,973	12,40.37
Ready-to-Drink	TH	-	-	-	-	-	-	3,252	2,85.33	-	-	-	-
		<u>12,40.37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,16,37.05</u>	<u>65,23.09</u>	<u>18,28.45</u>	<u>12,40.37</u>				

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

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
11. Value of Imports calculated on C.I.F. basis:		
Raw Materials	13,52.05	85.40
Capital Goods	16,23.91	32.28
	<u>29,75.96</u>	<u>1,17.68</u>

	Year ended December 31, 2010 (Rs. Lacs)	Year ended December 31, 2009 (Rs. Lacs)
12. Expenditure in Foreign Currency (on cash basis)		
Travelling	36.46	28.44
Advertisement & Promotions	54.20	25.89
Consultancy *	1,57.68	3,42.24
Software	2,40.48	48.62
Others	1,21.61	82.61
	<u>6,10.43</u>	<u>5,27.80</u>

* Includes Rs. 67.27 Lacs (Previous Year Rs.2,68.23 Lacs) included under Capital Work in Progress on Schedule 3

13. Amount remitted in Foreign Currency for Dividend :

(a) Number of non-resident shareholders	1	1
(b) Number of shares held (Equity Shares of Rs. 10 each)	1,81,52,243	1,81,52,243
(c) Dividend	32,67.40	9,07.61

14. Earnings in Foreign Exchange :

- Export of goods on F.O.B. basis	1,33,31.75	1,21,36.01
- Miscellaneous Income	1,19.41	1,12.51

15. (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 Profit and Loss Account

- Employer's Contribution to Indian Senior Executives Superannuation Fund *	4,46.12	5,20.36
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II. State Plans

a. Employer's Contribution to Employee's State Insurance

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

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

- Employer's Contribution to Employee's State Insurance *	40.43	24.05
- Employer's Contribution to Employee's Pension Scheme 1995 *	2,26.55	2,14.13

* Included in Contribution to Provident and Other Funds under Employees' Cost (Refer Schedule 13)

III. Defined Benefit Plans

In accordance with Accounting Standard 15 'Employee Benefits', an actuarial valuation was done as at December 31st, 2010 in respect of following Defined Benefit Plans

a. Contribution to Provident Fund

b. Contribution to Gratuity Funds - Employee's Gratuity Fund, Senior Staff Gratuity Fund

c. Leave Encashment / Compensated Absences for workers - (Earned leave, Sick Leave and Special leave)

d. Post-Employment Medical Assistance Scheme

based on the following assumptions –

	Leave Encashment/ Compensated Absences		Employees Gratuity Fund		Senior Staff Gratuity Fund		Provident Fund	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount Rate (per annum)	7.50%	7.00%	7.50%	7.00%	7.50%	7.00%	7.50%	7.00%
Rate of increase in Compensation levels*	8.00% / 10.00%	8.00%	8.00% / 10.00%	8.00%	8.00% / 10.00%	8.00%	8.00% / 10.00%	8.00%
Rate of Return on Plan Assets	N.A.	N.A.	8.47%	8.52%	8.65%	8.80%	N.A.	N.A.
Expected Average remaining working lives of employees (Years)	12.27/ 13.14	12.35/ 13.37	14.04	14.34	19.90	20.08	N.A.	N.A.

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

- (i) In calculating the leave encashment liability, 20% of the earned / special leave has been assumed to be availed of during the service before separation.
- (ii) In calculating the compensated absences for sick leave liability, 50% of the leave has been assumed to be availed of during the service before separation.
- (iii) The liability for Gratuity fund for the year 2011 has not been worked out as the same is based on the increase in the basic salary and allowances in April 2012.
- (iv) 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, 2010 after reducing the amount of amortization of premium for one year.
- (v) 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/ Compensated Absences		Employees Gratuity Fund		Senior Staff Gratuity Fund	
	2010	2009	2010	2009	2010	2009
Present Value of Obligation as at January 1	2,14.33	1,82.14	20,15.32	17,40.60	38,67.87	34,21.58
Interest Cost	15.00	13.09	1,41.07	1,21.84	2,70.75	2,39.51
Past Service Cost	-	-	-	-	92.90	-
Current Service Cost	35.98	26.22	1,96.45	1,52.58	3,91.79	3,47.66
Curtailment Cost / (Credit)	-	-	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-	-	-
Benefits Paid	(8.74)	(5.30)	(1,74.83)	(1,60.67)	(6,12.49)	(4,40.35)
Actuarial (gain) / loss on obligations	18.00	(1.82)	2,01.64	1,60.97	2,39.67	2,99.47
Present Value of Obligation as at December 31	2,74.57	2,14.33	23,79.65	20,15.32	42,50.49	38,67.87

(B) Changes in the Fair value of Plan Assets

(Rs. Lacs)

	Leave Encashment/ Compensated Absences		Employees Gratuity Fund		Senior Staff Gratuity Fund	
	2010	2009	2010	2009	2010	2009
Fair Value of Plan Assets as at January 1	-	-	18,97.85	17,39.38	37,78.63	29,79.92
Expected Return on Plan Assets	N.A.	N.A.	1,60.75	1,48.19	3,26.85	2,62.23
Actuarial Gains and (Losses)	N.A.	N.A.	10.67	(0.27)	8.96	40.76
Contributions	-	-	3,77.20	1,71.22	6,03.89	9,09.53
Benefits Paid	-	-	(1,74.83)	(1,60.67)	(6,39.04)	(4,13.81)
Fair Value of Plan Assets as at December 31	-	-	22,71.64	18,97.85	40,79.29	37,78.63
Unpaid Amount	-	-	(0.22)	(0.22)	-	(26.54)
Fair Value of Plan Assets as at December 31 (net of unpaid amount)	-	-	22,71.42	18,97.63	40,79.29	37,52.09

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

Present Value of funded/ (unfunded) obligation as at December 31	(2,74.57)	(2,14.33)	23,79.65	20,15.32	42,50.49	38,67.87
Fair Value of Plan Assets as at the end of the period	-	-	22,71.42	18,97.63	40,79.29	37,52.09
Funded Status	-	-	(1,08.23)	(1,17.69)	(1,71.20)	(1,15.78)
Present Value of unfunded obligation as at December 31	2,74.57	2,14.33	-	-	-	-
Unrecognized Actuarial (gains) / losses	-	-	-	-	-	-
Unfunded Net Asset / (Liability) recognized in Balance Sheet *	(2,74.57)	(2,14.33)	(1,08.23)	(1,17.69)	(1,71.20)	(1,15.78)

* included in Employee Benefits (Refer Schedule 11)

(D) Expense recognised in the Profit and Loss Account

(Rs. Lacs)

	Leave Encashment/ Compensated Absences		Employees Gratuity Fund		Senior Staff Gratuity Fund	
	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
Current Service Cost	35.98	26.22	1,96.45	1,52.58	3,91.79	3,47.66
Past Service Cost	-	-	-	-	92.90	-
Interest cost	15.00	13.09	1,41.07	1,21.84	2,70.75	2,39.51
Expected Return on Plan Assets	N.A.	N.A.	(1,60.75)	(1,48.19)	(3,26.85)	(2,62.23)
Curtailment Cost / (Credit)	-	-	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-	-	-
Net actuarial (gain) / loss recognized in the period	18.00	(1.82)	1,90.97	1,61.24	2,30.71	2,58.71
Total expenses recognized in the Profit and Loss Account	68.98 ***	37.49 ***	3,67.74 **	2,87.47 **	6,59.30 **	5,83.65 **

** included in Contribution to Provident and Other Funds (Refer Schedule 13)

*** included in Salaries, Wages and Bonus (Refer Schedule 13)

(E) Constitution of Plan Assets
(Rs. Lacs)

	Leave Encashment/ Compensated Absences		Employees Gratuity Fund		Senior Staff Gratuity Fund	
	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009
Equity Instruments	N.A.	N.A.	-	-	-	-
Debt Instruments	N.A.	N.A.	21,76.39	17,89.99	41,87.30	36,65.17
Property	N.A.	N.A.	-	-	-	-
Other Assets	N.A.	N.A.	95.03	1,07.64	(1,08.01)	86.92
Total of the Plan Assets	N.A.	N.A.	22,71.42	18,97.63	40,79.29	37,52.09

(b) 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. 2,37.52 Lacs (Previous Year Rs. 1,08.72 Lacs) [Refer Schedule 11] determined on the basis of an actuarial valuation carried out as at December 31, 2010 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.

(c) 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. 25,54.98 Lacs (Previous Year Rs. 21,00.32 Lacs) [Refer Schedule 11] determined on the basis of an actuarial valuation carried out as at December 31, 2010. 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.

16. The Company estimates the deferred tax charge/(credit) using the substantially enacted tax rate applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The movement of provision for deferred tax is given below :-

(Rs. Lacs)

Deferred Tax Liability / (Asset)	Balance as at		Charge/(Credit)		Balance as at	
	January 1, 2010	January 1, 2009	Year ended December 31, 2010	Year ended December 31, 2009	December 31, 2010	December 31, 2009
Depreciation/Amortization	12,83.01	18,22.19	(1,29.71)	(5,39.18)	11,53.30	12,83.01
Section 43B Disallowances	(16,96.72)	(8,04.95)	(5,88.50)	(8,91.77)	(22,85.22)	(16,96.72)
VRS	(2,56.14)	(2,35.92)	1,04.88	(20.22)	(1,51.26)	(2,56.14)
Provision for Doubtful Debts	(69.74)	(31.96)	(16.08)	(37.78)	(85.82)	(69.74)
Other Disallowances	(3,61.57)	(90.91)	(9,42.89)	(2,70.66)	(13,04.46)	(3,61.57)
Deferred Tax Liability (net)	(11,01.16)	6,58.45	(15,72.30)	(17,59.61)	(26,73.46)	(11,01.16)

17. The Company's 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'.

		Year ended December 31, 2010	Year ended December 31, 2009
18. Earnings Per Share (EPS) - The numerator and denominator used to calculate Basic and Diluted Earnings per Share			
- Profit attributable to the Equity Shareholders (Rs)	(A)	2,99,85,23,633	2,32,78,27,580
- Basic/ Weighted average number of Equity Shares outstanding during the year	(B)	4,20,55,538	4,20,55,538
- Nominal value of Equity Shares (Rs)		10.00	10.00
- Basic/ Diluted Earnings per Share (Rs)	(A) / (B)	71.30	55.35
19. The Company has during the year accounted for certain exgratia payments to its employees aggregating Rs. 4,27.06 Lacs (Previous Year Rs. 3,67.90 Lacs) included under Employee's Cost (Refer Schedule 13).			
20. The amounts due to Micro & Small Enterprises as at December 31, 2010 have been disclosed under Sundry Creditors in Schedule 10 on the basis of confirmations obtained from suppliers who have registered themselves under the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act, 2006) and/or based on the information available with the Company. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.			

21. Details of Class of Goods –

	Annual Capacity				Actual Production*		Stock of Goods Produced							
	Licensed		Installed		Year Ended 31.12.10	Year Ended 31.12.09	Opening				Closing			
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	As on 01.01.10		As on 01.01.09		As on 31.12.10		As on 31.12.09	
	Qty MT	Qty MT	Qty MT	Qty MT	Qty MT	Qty MT	Qty MT	Value Rs. Lacs	Qty MT	Value Rs. Lacs	Qty MT	Value Rs. Lacs	Qty MT	Value Rs. Lacs
1. Malt Based Foods	98,100	91,100	1,09,200	1,03,600	35,895	34,571	5,427	57,24.18	6,801	69,28.01	6,107	66,52.32	5,427	57,24.18
2. Cereal Based Beverage	2,000	2,000			2,165	2,099	528	6,86.59	257	3,36.15	383	6,01.88	528	6,86.59
3. Powdered Milk	3,000	3,000			-	-	-	-	-	-	-	-	-	-
4. Protein Rich Foods	3,000	3,000			1,133	1,200	231	4,83.93	308	6,66.51	199	4,75.40	231	4,83.93
5. Nutritional Food Powder	1,200	1,200			50	41	8	30.32	-	-	12	40.97	8	30.32
6. Malt Based Foods	-	-	-	-	73,212	58,685	8,443	81,45.64	7,788	71,57.46	9,862	1,00,56.83	8,443	81,45.64
7. Protein Rich Foods	-	-	-	-	-	79	28	59.68	-	-	-	-	28	59.68
Total (1+2+3+4+5+6+7)	1,07,300	1,00,300	1,11,400	1,05,800	1,12,455	96,675	14,665	1,51,30.34	15,154	1,50,88.13	16,563	1,78,27.40	14,665	1,51,30.34
8. Ghee	6,000	6,000	4,000	4,000	513	572	108	2,13.68	69	1,13.81	47	90.20	108	2,13.68
9. Biscuits	-	-	-	-	-	1,112	-	-	1,296	6,26.37	-	-	-	-
10. Nutrition Bar Sweetmeat	-	-	-	-	209	389	59	1,88.33	31	1,06.90	17	46.15	59	1,88.33
11. Non Carbonated Water Based Beverages	-	-	-	-	394	-	-	-	-	-	17	5.68	-	-
								<u>1,55,32.35</u>	<u>1,59,35.21</u>	<u>1,79,69.43</u>	<u>1,55,32.35</u>			

* Actual Production includes Bulk Production and does not include Trial Production

Notes:

- The actual production under Serial No. 1 does not include production of intermediate products of 43,081 MT (Previous Year 36,292 MT) for captive consumption. This intermediate product is further processed at a Third Party for manufacture of Malt Based Foods and accordingly, the said production is disclosed under Serial No. 6. Further, the closing stock under Serial No. 1 does not include 5,100 MT amounting to Rs. 51,18.83 Lacs (Previous Year 4,979 MT amounting to Rs. 48,94.12 Lacs).
- The installed capacities on triple shift basis are as per certificates given by the Director-Operations and have not been verified by the Auditors, being a technical matter.
- Production figures are net of captive consumption.
- Powdered Milk is for captive consumption and accordingly the same have been included in Goods in Process in Schedule 5 & 15. Boost Intermediate/Horlicks Intermediates are included in Goods in Process in Schedule 5 & 15 as these are semi-finished products.
- Licensed capacity listed above Serial No. 1, 2, 3, 4, 5 & 8 are in respect to all the three factories of the company and are covered by Industrial Entrepreneurs' Memorandums (IEMs) in terms of Notification No. 477 (E) dated 25th July, 1991 of the Department of Industrial Development, Ministry of Industry, Government of India.
- The Products under Serial No. 1, 2 & 3 to 5 are manufactured in an integrated plant respectively and, therefore, installed capacity cannot be given separately.
- The Products listed under Serial No. 6, 7, 9, 10 & 11 are processed by Third Parties.
- Closing Stock is net of samples, internal consumption, other stock losses.

22. (a) 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.
- B. Other related parties in GlaxoSmithKline Group which are under Common Control -
- (a) Glaxo Operations UK Area
 - (b) GlaxoSmithKline Bangladesh Ltd.
 - (c) GlaxoSmithKline Exports Ltd.
 - (d) Glaxo Wellcome Indonesia
 - (e) GlaxoSmithKline Asia Pvt. Ltd.
 - (f) GlaxoSmithKline Australia Pty
 - (g) GlaxoSmithKline Consumer Healthcare GmbH
 - (h) GlaxoSmithKline Consumer Healthcare Kenya
 - (i) GlaxoSmithKline Consumer Healthcare SDN BHD Malaysia
 - (j) GlaxoSmithKline Pharmaceuticals Ltd.
 - (k) GlaxoSmithKline Philippines Inc.
 - (l) GlaxoSmithKline Pte. Ltd.
 - (m) GlaxoSmithKline Services Unlimited (U.K.)
 - (n) GlaxoSmithKline Trading Services Limited
 - (o) GSK Nigeria
 - (p) GSK Plc, UK
 - (q) GSK Services Limited
 - (r) SB Bangladesh
 - (s) PT Sterling Products Indonesia
 - (t) SB Corp CB (USA)
 - (u) SB Pharmaceutical Services
 - (v) SB Research Ltd.
 - (w) SB Corporate Centre
 - (x) SmithKline Beecham (Pvt) Ltd., Sri Lanka
 - (y) SmithKline Beecham Corporation
 - (z) Sterling Drugs (M) Sdn Bhd
 - (aa) Tianjin SmithKline & French Labs Ltd., China
- 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, Director - Operations
 - c. R. Subramanian, Director - Finance

(Rs. Lacs)

22 (b). The following transactions were carried out with the related parties in the ordinary course of business

Particulars	Year ended December 31, 2010					Year ended December 31, 2009				
	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
Sale of goods (Exports)	-	1,01,27.48	-	-	1,01,27.48	-	86,20.15	-	-	86,20.15
SmithKline Beecham (Pvt) Ltd., Sri Lanka	-	45,90.88	-	-	45,90.88	-	51,93.90	-	-	51,93.90
GlaxoSmithKline Bangladesh Ltd.	-	43,84.00	-	-	43,84.00	-	33,26.65	-	-	33,26.65
Others	-	11,52.60	-	-	11,52.60	-	99.60	-	-	99.60
Sale of Raw Materials	-	1,21.18	-	-	1,21.18	-	62.96	-	-	62.96
GlaxoSmithKline Bangladesh Ltd.	-	1,21.18	-	-	1,21.18	-	62.96	-	-	62.96
Consignment Sales (Gross)	-	3,73,42.48	-	-	3,73,42.48	-	3,02,76.78	-	-	3,02,76.78
GlaxoSmithKline Asia Pvt. Ltd.	-	2,85,20.39	-	-	2,85,20.39	-	2,17,91.19	-	-	2,17,91.19
GlaxoSmithKline Pharmaceuticals Ltd.	-	88,22.09	-	-	88,22.09	-	84,85.59	-	-	84,85.59
Services received (Paid / Payable)	-	75.48	-	-	75.48	-	2,92.16	-	-	2,92.16
GlaxoSmithKline Services Unlimited (U.K.) ^	-	52.05	-	-	52.05	-	1,82.71	-	-	1,82.71
GlaxoSmithKline Consumer Healthcare GmbH ^	-	-	-	-	-	-	68.28	-	-	68.28
GlaxoSmithKline Australia Pty	-	23.43	-	-	23.43	-	40.29	-	-	40.29
Others ^	-	-	-	-	-	-	0.88	-	-	0.88
Payment on Behalf of Fellow Subsidiaries (Received / Receivable) **	-	45,55.40	-	-	45,55.40	-	39,64.37	-	-	39,64.37
GlaxoSmithKline Asia Pvt. Ltd.	-	18,17.54	-	-	18,17.54	-	14,47.65	-	-	14,47.65
GlaxoSmithKline Pharmaceuticals Ltd.	-	7,77.37	-	-	7,77.37	-	6,85.78	-	-	6,85.78
GlaxoSmithKline Pte. Ltd.	-	4,02.74	-	-	4,02.74	-	3,97.69	-	-	3,97.69
GlaxoSmithKline Exports Ltd.	-	4,64.83	-	-	4,64.83	-	4,52.93	-	-	4,52.93
Others	-	10,92.92	-	-	10,92.92	-	9,80.32	-	-	9,80.32
Reimbursements of Expenses (Paid / Payable) **	-	2,87.50	-	-	2,87.50	-	93.86	-	-	93.86
GlaxoSmithKline Services Unlimited (U.K.)	-	1,14.70	-	-	1,14.70	-	34.66	-	-	34.66
GlaxoSmithKline Pte. Ltd.	-	1,07.21	-	-	1,07.21	-	13.68	-	-	13.68
GlaxoSmithKline Exports Ltd.	-	1.03	-	-	1.03	-	15.30	-	-	15.30
Others	-	64.56	-	-	64.56	-	30.22	-	-	30.22
Business Auxiliary Service Commission *	-	60,02.05	-	-	60,02.05	-	51,68.13	-	-	51,68.13
GlaxoSmithKline Asia Pvt. Ltd.	-	50,14.94	-	-	50,14.94	-	41,81.69	-	-	41,81.69
GlaxoSmithKline Pharmaceuticals Ltd.	-	9,87.11	-	-	9,87.11	-	9,86.44	-	-	9,86.44
Rent paid *	-	1,82.06	-	-	1,82.06	-	1,82.63	-	-	1,82.63
GlaxoSmithKline Asia Pvt. Ltd.	-	1,82.06	-	-	1,82.06	-	1,82.63	-	-	1,82.63
Rent received *	-	0.79	-	-	0.79	-	0.80	-	-	0.80
GlaxoSmithKline Asia Pvt. Ltd.	-	0.79	-	-	0.79	-	0.80	-	-	0.80
Licence agreement (Royalty Paid / Payable) *	-	84,24.44	-	-	84,24.44	-	72,55.85	-	-	72,55.85
GlaxoSmithKline Asia Pvt. Ltd.	-	84,24.44	-	-	84,24.44	-	72,55.85	-	-	72,55.85
Dividend Paid	32,67.40	-	-	-	32,67.40	9,07.61	-	-	-	9,07.61
Horlicks Limited	32,67.40	-	-	-	32,67.40	9,07.61	-	-	-	9,07.61
Remuneration paid ***	-	-	7,51.27	-	7,51.27	-	-	6,45.71	-	6,45.71
Praveen K. Gupta	-	-	1,45.15	-	1,45.15	-	-	1,33.21	-	1,33.21
Zubair Ahmed	-	-	4,31.04	-	4,31.04	-	-	4,13.22	-	4,13.22
R. Subramanian	-	-	1,75.08	-	1,75.08	-	-	99.28	-	99.28

(Rs. Lacs)

Particulars	Year ended December 31, 2010					Year ended December 31, 2009				
	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
Annual Contributions made by the Company	-	-	-	56,02.22	56,02.22	-	-	-	44,95.32	44,95.32
Provident Fund Trust	-	-	-	36,01.32	36,01.32	-	-	-	29,26.83	29,26.83
Senior Staff Gratuity Fund	-	-	-	6,60.06	6,60.06	-	-	-	5,68.01	5,68.01
Employees Gratuity Fund	-	-	-	3,67.74	3,67.74	-	-	-	2,87.47	2,87.47
Indian Senior Executives Superannuation Scheme	-	-	-	9,73.10	9,73.10	-	-	-	7,13.01	7,13.01
Payments made by the Company to the employees on behalf of Trust towards their settlement	-	-	-	32,07.97	32,07.97	-	-	-	23,63.65	23,63.65
Provident Fund Trust	-	-	-	20,32.99	20,32.99	-	-	-	15,39.42	15,39.42
Senior Staff Gratuity Fund	-	-	-	6,43.20	6,43.20	-	-	-	4,09.93	4,09.93
Employees Gratuity Fund	-	-	-	1,78.81	1,78.81	-	-	-	1,61.25	1,61.25
Indian Senior Executives Superannuation Scheme	-	-	-	3,52.97	3,52.97	-	-	-	2,53.05	2,53.05
Recoveries made from Trusts on account of settlement and investments	-	-	-	29,37.53	29,37.53	-	-	-	23,39.69	23,39.69
Provident Fund Trust	-	-	-	19,58.37	19,58.37	-	-	-	16,69.89	16,69.89
Senior Staff Gratuity Fund	-	-	-	4,44.88	4,44.88	-	-	-	2,57.37	2,57.37
Employees Gratuity Fund	-	-	-	1,81.31	1,81.31	-	-	-	1,59.38	1,59.38
Indian Senior Executives Superannuation Scheme	-	-	-	3,52.97	3,52.97	-	-	-	2,53.05	2,53.05
Interest Shortfall on Provident Fund Trust	-	-	-	2,79.07	2,79.07	-	-	-	1,08.72	1,08.72
Provident Fund Trust	-	-	-	2,79.07	2,79.07	-	-	-	1,08.72	1,08.72
Balances as at year end - Receivables	-	11,81.15	-	4,41.43	16,22.58	-	12,93.89	-	1,77.98	14,71.87
SB Corporate Centre	-	1,89.06	-	1,89.06	1,89.06	-	1.73	-	-	1.73
SmithKline Beecham (Pvt) Ltd., Sri Lanka	-	3,43.24	-	3,43.24	3,43.24	-	5,91.29	-	-	5,91.29
GlaxoSmithKline Pte. Ltd.	-	-	-	-	-	-	2,48.12	-	-	2,48.12
GlaxoSmithKline Bangladesh Ltd.	-	4,46.37	-	4,46.37	4,46.37	-	2,42.84	-	-	2,42.84
GlaxoSmithKline Exports Ltd.	-	20.65	-	20.65	20.65	-	1,71.22	-	-	1,71.22
Provident Fund Trust	-	-	-	67.62	67.62	-	-	-	-	-
Senior Staff Gratuity Fund	-	-	-	3,57.88	3,57.88	-	-	-	1,59.56	1,59.56
Employees Gratuity Fund	-	-	-	15.93	15.93	-	-	-	18.42	18.42
Others	-	1,81.83	-	1,81.83	1,81.83	-	38.69	-	-	38.69
Balances as at year end - Payables	-	(22,23.42)	-	(8,81.39)	(31,04.81)	-	(13,09.38)	(0.31)	(6,17.98)	(19,27.67)
GlaxoSmithKline Services Unlimited (U.K.)	-	(2,77.07)	-	(2,77.07)	(2,77.07)	-	(1,38.29)	-	-	(1,38.29)
GlaxoSmithKline Asia Pvt Ltd.	-	(11,31.00)	-	(11,31.00)	(11,31.00)	-	(5,19.61)	-	-	(5,19.61)
GlaxoSmithKline Pharmaceuticals Ltd.	-	(6,71.58)	-	(6,71.58)	(6,71.58)	-	(5,50.57)	-	-	(5,50.57)
R Subramanian ****	-	-	-	-	-	-	-	(0.31)	-	(0.31)
Provident Fund Trust	-	-	-	(5,54.49)	(5,54.49)	-	-	-	(3,32.63)	(3,32.63)
Senior Staff Gratuity Fund	-	-	-	(1,71.19)	(1,71.19)	-	-	-	(1,15.78)	(1,15.78)
Employees Gratuity Fund	-	-	-	(1,08.23)	(1,08.23)	-	-	-	(1,17.69)	(1,17.69)
Indian Senior Executives Superannuation Scheme	-	-	-	(47.48)	(47.48)	-	-	-	(51.88)	(51.88)
Others	-	(1,43.77)	-	(1,43.77)	(1,43.77)	-	(1,00.91)	-	-	(1,00.91)

* 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 employee are not available and accordingly, the same has not been considered above except where paid during the year.

**** Excludes payable on account of Long Term Incentive Plan.

^ Represents amounts included under Capital Work in Progress/ Fixed Assets on Schedule 3



- (c) 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.
23. The Company has initiated a long term incentive plan to maintain its competitiveness in attracting and retaining Senior Grade Managers. In terms of this plan, the eligible employees will receive cash equivalent to the market price of the shares of GSK Plc. at the end of the three years restricted period provided the eligible employees are in continuous employment with the Company during that time. Accordingly, a sum of Rs. 1,92.53 Lacs (Previous Year Rs. 3,25.97 Lacs) has been accounted in these financial statements on a prorata basis as Salaries, Wages, and Bonus under 'Employees' Cost' (Refer Schedule 13).
24. The Company has various direct and indirect tax disputes as at the year end and adequate liability/provision has been provided for/made aggregating Rs. 46,58.59 Lacs (Previous year Rs. 29,70.44 Lacs) wherever considered necessary by the Management, based on legal advice obtained by the Company and merits of the case (Refer Schedule 10).
25. In accordance with the requirements of Accounting Standard (AS) - 19 'Leases', the Company has entered into two 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. 3,82.27 Lacs (Previous Year Rs. 3,82.27 Lacs). Total of future Minimum Lease Payments under non-cancellable leases in case of the premise on lease:
- Not later than 1 year Rs. 3,41.67 Lacs
 - Later than 1 and not later than 5 years Rs. 4,62.81 Lacs
 - Later than five years Nil
26. (a) 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)				
	January 1, 2010	Additions	Utilizations	Reversals/Adjustments	December 31, 2010
(i) Indirect Taxes	13,74.90	6,44.78	-	1,39.67	18,80.01
(ii) Other Matters / Estimated Sales Returns	6,19.09	29,51.03	3,13.19	-	32,56.93
Total	19,93.99	35,95.81	3,13.19	1,39.67	51,36.94

- (i) Indirect Tax matters - Includes provisions made mainly for probable claims arising out of certain tax matters under various statutes. The probability and the timing 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 Matters/Estimated sales returns - Includes primarily provision for estimated sales returns made for products sold by the Company basis the best estimates of management. 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.

- (b) Contingent Liabilities not provided for:

	As at December 31, 2010 (Rs. Lacs)	As at December 31, 2009 (Rs. Lacs)
Cheques under Cash Management System	95.31	15.43
Claims made against the Company not acknowledged as debts (to the extent ascertainable)		
a) Direct Tax	1,43,04.66	30,08.00
b) Indirect Taxes - net of tax Rs. 1,70.76 Lacs (Previous Year Rs. 1,65.37 Lacs)	3,43.31	3,21.17

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.

27. Previous Year's figures have been regrouped/ reclassified, wherever necessary, to conform to the current year's classification.

For Price Waterhouse
Firm Registration Number :301112E
Chartered Accountants

S.J. Scarff
Chairman

Ramakrishnan Subramanian
Kunal Kashyap
Directors

Usha Rajeev
Partner
Membership No.: F 087191

Zubair Ahmed
Managing Director

Surinder Kumar
Company Secretary

Place : Gurgaon
Dated : 2 February 2011

Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

Registration No. State Code

Balance Sheet Date

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue N I L Rights Issue N I L

Bonus Issue N I L Private Placement N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities Total Assets

SOURCES OF FUNDS

Paid-up Capital Reserves & Surplus

Secured Loans N I L Unsecured Loans N I L

APPLICATION OF FUNDS

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure N I L

Accumulated Losses N I L Deferred Tax Asset (net)

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover (Sales* and Other Income) Total Expenditure

* Sales are net of Excise Duty

Profit/Loss Before Tax Profit/Loss After Tax

Earning per share in Rs. ** Dividend @%

** Basic/Diluted

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

Item Code No. (ITC Code)

Product Description M A L T B A S E D F O O D

Item Code No. (ITC Code)

Product Description B I S C U I T S