

CHAIRMAN

S. J. Scarff, O.B.E

MANAGING DIRECTOR

Nicholas J. Massey

DIRECTORS

A. Chatterjee (till 23.10.2003)
 G. K. Chakraborty (w.e.f. 23.10.2003)
 Ashok Dayal
 A. S. Lakshamanan
 Kunal Kashyap
 P. S. Mukherjee
 P. Murari
 S. S. Dugal
 V. Thyagarajan (till 31.01.2003)
 Colin Handcock
 P. Dwarakanath
 (Alternate Director to Colin Handcock)
 Ian McPherson
 R. Subbarayan (till 31.01.2003)
 (Alternate Director to Ian McPherson)

COMPANY SECRETARY

Surinder Kumar

BANKERS

Bank of America
 Citibank N.A.
 The Hongkong & Shanghai Banking
 Corporation Limited
 Standard Chartered Bank
 State Bank of Patiala
 ABN Amro Bank
 BNP Paribas
 Andhra Bank
 Deutsche Bank

AUDITORS

Price Waterhouse

REGISTERED OFFICE

GlaxoSmithKline
 Consumer Healthcare Limited
 Patiala Road
 Nabha 147 201 (Punjab)

HEAD OFFICE

DLF Plaza Tower
 DLF City, Phase-I
 Gurgaon-122 002

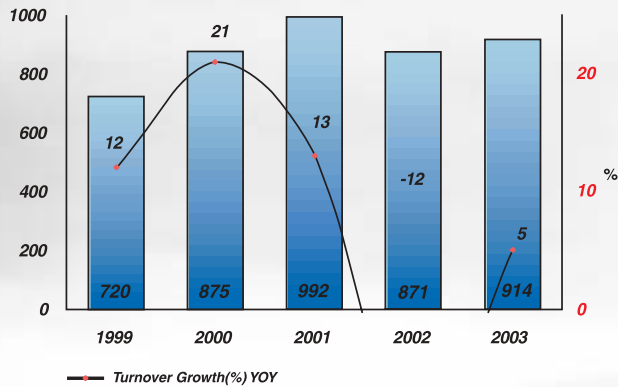
CONTENTS

| | |
|--|----|
| Board of Directors, etc. | 1 |
| Financial Highlights | 2 |
| Financial Statistics | 4 |
| Directors' Report | 6 |
| Corporate Governance Report | 11 |
| Management Discussion & Analysis Report | 17 |
| Auditors' Report | 20 |
| Balance Sheet | 22 |
| Profit & Loss Account | 23 |
| Schedules 1 & 2 | 24 |
| Schedules 3, 4 & 5 | 25 |
| Schedules 6, 7, 8 & 9 | 26 |
| Schedules 10, 11, 12 & 13 | 27 |
| Schedules 14 & 15 | 28 |
| Schedules 16 & 17 | 29 |
| Balance Sheet Abstract & General Business Profile | 38 |
| Cash Flow Statement | 39 |

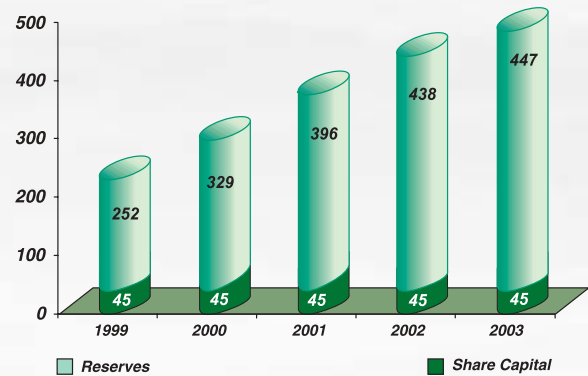


FINANCIAL HIGHLIGHTS

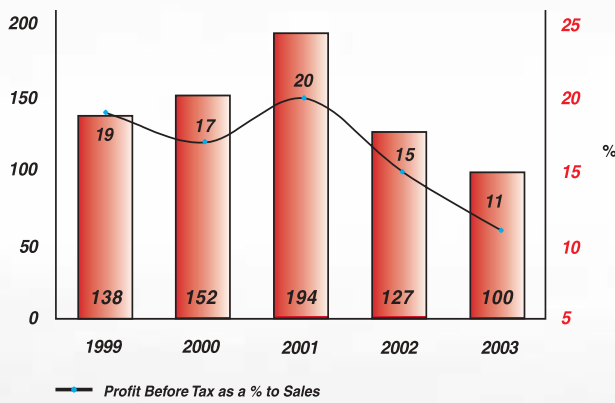
TURNOVER
(Rs. Crores)



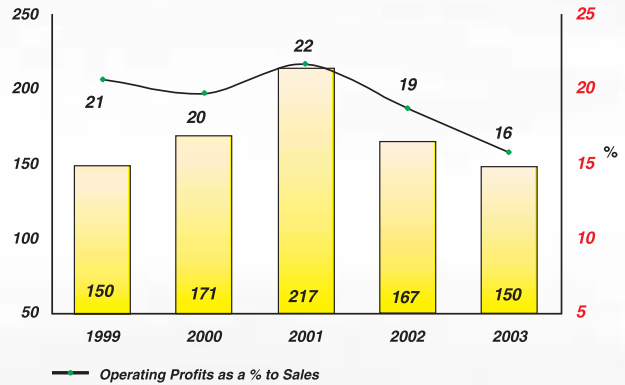
VALUE ADDITION TO BUSINESS THROUGH RESERVES
(Rs. Crores)



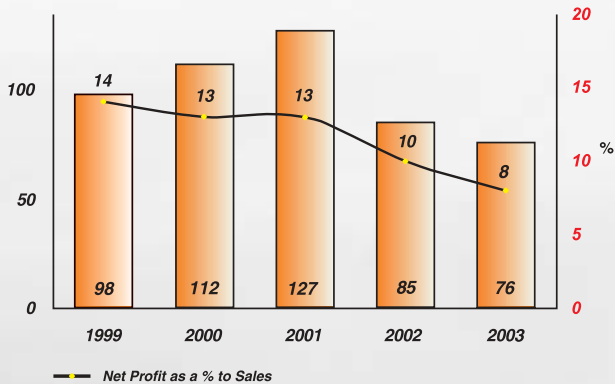
Profit Before Tax
(Rs. Crores)



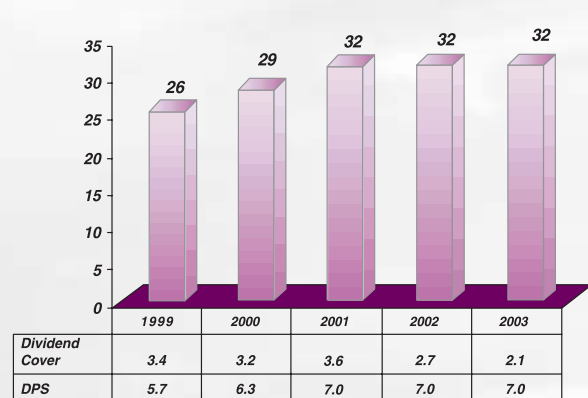
OPERATING PROFITS
(Rs. Crores)



NET PROFIT
(Rs. Crores)

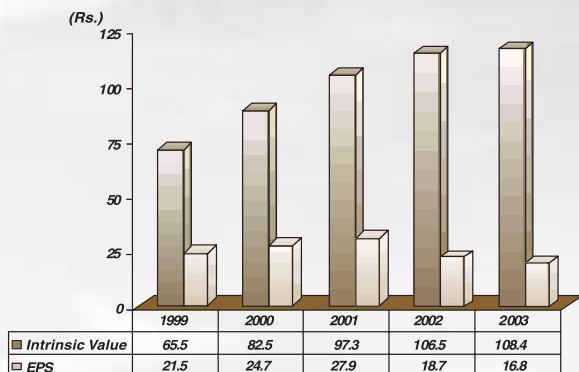


DIVIDEND PAYOUT
(Rs. Crores)

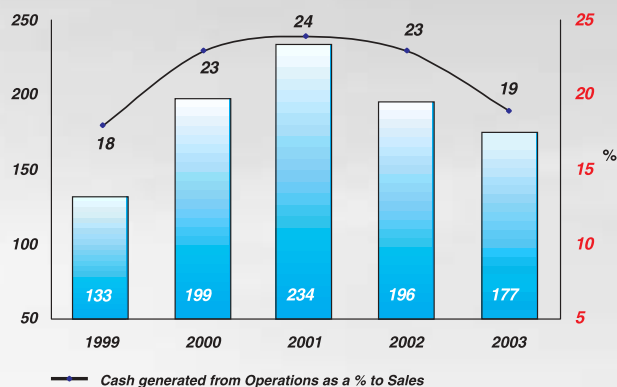


FINANCIAL HIGHLIGHTS

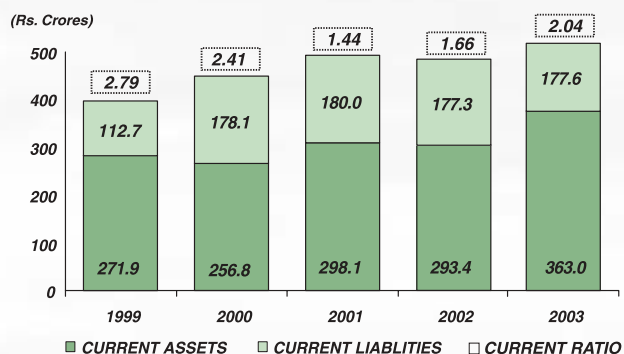
EPS AND BOOK VALUE PER SHARE



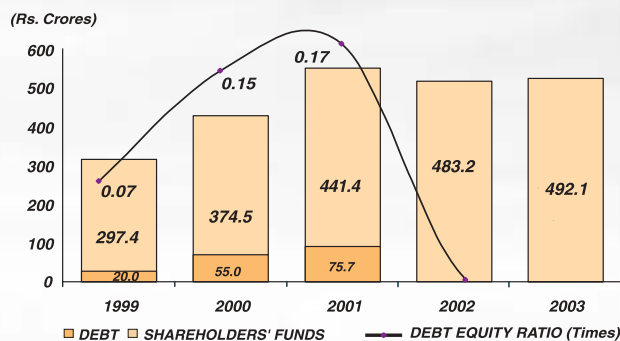
CASH GENERATED FROM OPERATIONS (Rs. Crores)



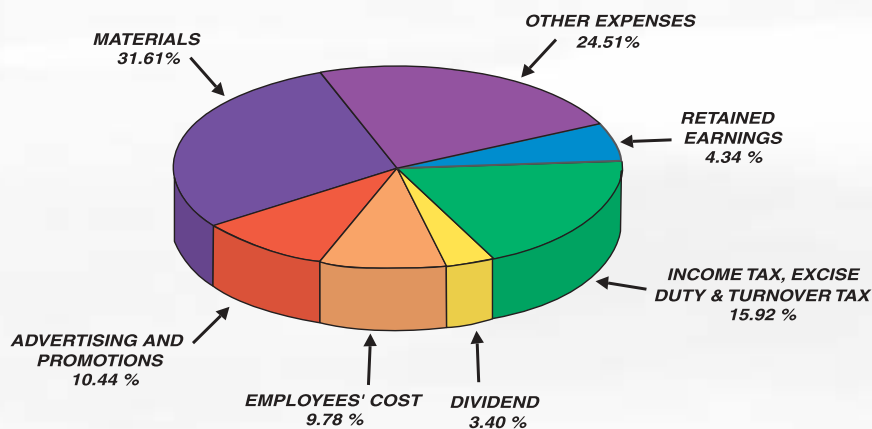
CURRENT RATIO



DEBT EQUITY RATIO



SPLIT UP OF INCOME 2003





FINANCIAL STATISTICS

TEN YEAR FINANCIAL STATISTICS

Rs. Lakhs

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| SOURCES AND APPLICATIONS OF FUNDS | | | | | | | | | | |
| SOURCES OF FUNDS | | | | | | | | | | |
| Share Capital | 14,18 | 28,36 | 28,36 | 45,38 | 45,38 | 45,38 | 45,38 | 45,38 | 45,38 | 45,38 |
| Reserves & Surplus | 62,66 | 68,26 | 1,02,69 | 1,26,73 | 1,83,12 | 2,52,01 | 3,29,16 | 3,96,04 | 4,37,84 | 4,46,73 |
| TOTAL SHAREHOLDERS' FUNDS | 76,84 | 96,62 | 1,31,05 | 1,72,11 | 2,28,50 | 2,97,39 | 3,74,54 | 4,41,42 | 4,83,22 | 4,92,11 |
| BORROWINGS | 16,09 | 7,29 | 8,00 | - | - | 20,00 | 55,00 | 75,66 | - | - |
| FUNDS EMPLOYED | 92,93 | 1,03,91 | 1,39,05 | 1,72,11 | 2,28,50 | 3,17,39 | 4,29,54 | 5,17,08 | 4,83,22 | 4,92,11 |
| DEFERRED TAX LIABILITIES | - | - | - | - | - | - | - | 28,16 | 35,63 | 28,16 |
| TOTAL | 92,93 | 1,03,91 | 1,39,05 | 1,72,11 | 2,28,50 | 3,17,39 | 4,29,54 | 5,45,24 | 5,18,85 | 5,20,27 |
| APPLICATION OF FUNDS | | | | | | | | | | |
| Gross Fixed Assets | 59,29 | 68,98 | 73,87 | 88,36 | 1,20,05 | 1,95,74 | 4,02,18 | 4,96,90 | 5,15,56 | 4,92,22 |
| Depreciation | 24,89 | 30,07 | 35,91 | 43,11 | 51,22 | 58,67 | 70,04 | 84,55 | 1,22,70 | 1,62,31 |
| NET FIXED ASSETS | 34,40 | 38,91 | 37,96 | 45,25 | 68,83 | 1,37,07 | 3,32,14 | 4,12,35 | 3,92,86 | 3,29,91 |
| INVESTMENTS | 45,40 | 36,41 | 29,00 | 29,00 | 29,00 | 29,00 | - | - | - | - |
| Gross Current Assets, Loans and Advances | 51,15 | 78,03 | 1,37,88 | 1,72,08 | 2,03,41 | 2,42,90 | 2,56,80 | 2,98,15 | 2,93,43 | 3,63,02 |
| Current Liabilities & Provisions | 38,02 | 49,44 | 65,79 | 76,99 | 83,37 | 1,12,69 | 1,78,12 | 1,80,04 | 1,77,28 | 1,77,57 |
| NET CURRENT ASSETS | 13,13 | 28,59 | 72,09 | 95,09 | 1,20,04 | 1,30,21 | 78,68 | 1,18,11 | 1,16,15 | 1,85,45 |
| MISCELLANEOUS EXPENDITURE | - | - | - | 2,77 | 10,63 | 21,11 | 18,72 | 14,78 | 9,84 | 4,91 |
| TOTAL | 92,93 | 1,03,91 | 1,39,05 | 1,72,11 | 2,28,50 | 3,17,39 | 4,29,54 | 5,45,24 | 5,18,85 | 5,20,27 |

TEN YEAR TRACK RECORD

Rs. Lakhs

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------|---------|---------|---------|--------------------|---------|---------|---------|---------|---------|---------|
| TURNOVER | 2,95,48 | 3,66,89 | 4,96,58 | 5,62,30 | 6,45,62 | 7,20,48 | 8,75,12 | 9,92,14 | 8,71,06 | 9,13,75 |
| PROFIT BEFORE TAX | 48,96 | 60,02 | 79,31 | 94,70 | 1,16,51 | 1,38,33 | 1,51,73 | 1,93,96 | 1,26,71 | 99,58 |
| NET PROFIT | 24,15 | 36,10 | 46,94 | 62,02 | 81,35 | 97,61 | 1,12,02 | 1,26,63 | 85,01 | 76,35 |
| DIVIDEND PAYOUT | 15,60 | 16,31 | 17,02 | 19,06 | 22,69 | 25,87 | 28,59 | 31,77 | 31,77 | 31,77 |
| CORPORATE DIVIDEND TAX | - | - | - | 1,90 | 2,27 | 2,84 | 6,29 | 3,24 | - | 4,07 |
| RETAINED EARNINGS | 8,55 | 19,79 | 29,92 | 41,06 | 56,39 | 68,90 | 77,14 | 91,62 | 53,24 | 40,51 |
| DIVIDEND - % | 110 | 57.50* | 60 | 42 [@] | 50 | 57 | 63 | 70 | 70 | 70 |
| EARNINGS PER SHARE (Rs.) | 17.03 | 12.73* | 16.55 | 13.66 [@] | 17.93 | 21.51 | 24.68 | 27.90 | 18.73 | 16.82 |
| BONUS ISSUE | | 1:1 | | 3:5 | | | | | | |
| NUMBER OF SHARE HOLDERS | 27,621 | 28,836 | 28,831 | 30,145 | 29,413 | 31,690 | 33,019 | 31,442 | 30,607 | 28,914 |

* POST ISSUE OF BONUS SHARES IN THE RATIO OF 1:1

@ POST ISSUE OF BONUS SHARES IN THE RATIO OF 3:5

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 31st December, 2003

FINANCIAL RESULTS

| | (Rs. Lakhs) | |
|--|-------------------|------------|
| | 2003 | 2002 |
| Sales | 9,13,75.14 | 8,71,05.75 |
| Gross Profit (before Depreciation, Amortisation, and Tax) | 1,50,09.49 | 1,67,16.41 |
| Less: Depreciation | 35,78.12 | 25,71.55 |
| Less: Amortisation of : | | |
| - Patents and Trade Marks | 9,80.33 | 9,80.33 |
| - Deferred Revenue Expenditure | 4,93.32 | 4,93.32 |
| | | |
| Profit before Tax | 99,57.72 | 1,26,71.21 |
| Less: Provision for Tax | | |
| - Current Tax | 30,70.00 | 34,24.00 |
| - Deferred Tax | (7,46.85) | 7,46.70 |
| | 23,23.15 | 41,70.70 |
| | | |
| Profit available for Appropriations | 76,34.57 | 85,00.51 |
| Previous figures regrouped/reclassified wherever necessary to conform to this year's classification. | | |
| Appropriations | | |
| Dividends | | |
| - First Interim | 14,97.58 | 14,97.57 |
| - Second Interim | 16,79.09 | 16,79.08 |
| Corporate Dividend Tax | 4,07.01 | - |
| Transferred to General Reserves | 40,50.89 | 53,23.86 |
| | 76,34.57 | 85,00.51 |
| | | |
| Earnings Per Share (Basic & Diluted) | 16.82 | 18.73 |

PERFORMANCE OF THE COMPANY

Against a difficult trading background for most FMCG companies, your Company is pleased to report a 4.9% sales growth for 2003 over the previous year.

Across the last year, your company made a commitment that it would significantly ramp up its pipeline of innovation, in order to capitalise on its strong nutritional portfolio. An upweighted programme of new product development was kick-started with the objective of getting increased share of consumer disposable income.

Following intensive market research and product development activity, the Horlicks brand was successfully re-positioned in July 2003 with a new improved product, flavours, packaging and advertising support.

The company's other major brand, Boost, also went from strength to strength, recording a very positive sales growth following its re-launch late in 2002.

Your company feels increasingly confident that future prospects for topline sales growth are healthy and that it is in good shape to capitalise on the positive 'post-monsoon' market conditions being forecast across 2004.

With many other FMCG companies facing sluggish market conditions, it is also very encouraging to note that your company closed the trading year with significantly lower distributor stock & debt than was the case in 2002. Our trading partners are in good shape to support the company's marketing plans and innovation roll-out.

After a year of decline in 2002, the need to re-build topline sales was the key imperative for 2003. This has now been accomplished and, significantly, without any price increase to the consumer. One of the consequences of your company's decision not to put up prices meant that we actually reduced our overall gross margin in the 2003 trading year. Gross Profit before Depreciation, Amortization and Tax at Rs.1,50,09 lakhs for the year ended 31st December, 2003 represents a decline of 10.2% over the previous year while Profit before Tax declined by 21.4%.

Profit after Tax has declined by 10.2% over 2002. Gross Profit as a percentage to sales has declined from 19.2% last year to 16.4% in 2003. The decline in profit was mainly on account of the increase in cost of production due to higher input costs (particularly liquid milk and skimmed milk powder) and cost of operations on account of full year fixed costs for the Sonapat Plant. This decline in profit has been to some extent mitigated by the company's cost reduction programmes 'Operational Excellence' and 'Project Oxygen'.

RESERVES

The total Reserves as on 31st December, 2003 stood at Rs. 4,46,73.18 lakhs representing an increase of 2.03% from last year. Implementation of new Accounting Standard (AS-28) on Impairment of Assets has resulted in writing down the value of Viva and Maltova brands acquired in the year 2000. As a result of this impairment, Patents and Trademarks are being re-stated at their recoverable amount, ie Rs. 28,02.09 lakhs. The impairment charge amounting to Rs. 31,61.56 lakhs has been adjusted from the opening General Reserves.

DIVIDENDS

The Directors consider that the two Interim dividends aggregating to Rs.7 per share declared, to be reasonable and commensurate with the results for the year ended 31st December, 2003 and do not recommend a final dividend for the year.

EXPORTS

During the year the Company's export earnings amounting to Rs. 39,85 lakhs covering exports to Bangladesh, Myanmar, Sri Lanka, Middle East, Nepal and other markets represented a decline of 2.8% over the previous year.

RESEARCH AND DEVELOPMENT

The Research and Development Centre of your Company continued to provide valuable support to improve the quality of existing products. As a result of this we were able to re-launch Horlicks with new variants. The packaging also has been substantially improved to give a new image to the Brand. Currently work is progressing on the development of a number of new and improved products, as well as updating of production processes as per international standards. The Company is currently putting up a state of the art new R & D facility close to the Corporate Office in Gurgaon.

MODERNISATION OF FACILITIES

The Company continued to modernise its existing Plant & Machinery and production facilities at its Plants at Nabha, Rajahmundry and the various Packing Stations across the country. There has been considerable improvements made in GMP standards, basic hygiene and safety parameters at all our manufacturing locations. The modernisation of the facilities has also resulted in enhancing the capital and labour productivity which are being reflected through improved margins.

ISO CERTIFICATION

Your company's manufacturing facilities at Nabha, Rajahmundry and Sonapat have been accredited to the latest version of ISO 9001-2000 as well as ISO 14001 by DNV, a leading International certification Company. Sonapat production facility has also been certified for HACCP (Hazard Analysis Critical Control Point).

Third party contract manufacturing/packing sites i.e. Durandel Foods at Chennai, Pratap Health Foods Ltd. at Hyderabad, Mann Feeds Ltd. at Ballabgarh, Parsons Ltd. at Ghaziabad, SRDN at Guwahati and SDPL at Rajahmundry have been ISO 9001-2000 certified by DNV during the year.

These certifications indicate our commitments in meeting Global Quality and Environment Standards.

INFORMATION TECHNOLOGY

Your Company has always been at the forefront of Information Technology having implemented two ERP packages and connecting up all its business locations all over the country via satellite links and terrestrial links.

During the year the Company initiated computerisation of its Key Franchised Wholesalers. Substantial progress has been made and currently more than 100 wholesalers have been connected under this initiative.

The Company, during the year, has been rated as the "Best IT User Organization" by NASSCOM and Economic Times.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

DIRECTORS

Mr. V. Thyagarajan ceased to be the nominee Director of the Company under Article 97A of the Articles of Association of the Company w.e.f. 31 January, 2003.

Mr. R. Subbarayan, Alternate Director to Mr. Ian McPherson, stepped down as an Alternate Director w.e.f. 31 January, 2003

Mr. A. Chatterjee, Wholetime Director tendered his resignation w.e.f. 23 October, 2003 to the Board of Directors and in his place Mr. G. K. Chakraborty was appointed in the casual vacancy effective 23 October, 2003.

The Board of Directors wish to place on record their appreciation of the valuable advice and guidance rendered by Mr. V. Thyagarajan, Mr. A. Chatterjee and Mr. R. Subbarayan.

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

Harmonious industrial relations continued to prevail at all the units throughout the Company. The Company continued its focus on training and developing people through internal and external management development programmes and overseas assignments.

The Company has been rated as 5th Best Employer in India in a survey conducted in 2003 by Hewitt Associates & Business Today.

ENVIRONMENT AND SOCIAL COMMITMENT

Your Company, in its endeavour to serve the community, extended its reach to the villages around the Company's new state-of-art Sonapat factory in Khewra village. A green belt is being developed around the Sonapat factory of your Company for balanced eco-environment and aesthetics. Your Company along with Business & Community Foundation (BCF) undertook an extensive Needs Analysis of the region and has contributed towards a Sewing Machine programme for women. The first batch of 35 women each have been given a machine and training. Your Company continues to support the Eye Care Centre at Khewra, Sonapat, treating hundreds of patients and conducting cataract operations.

As in previous years, your Company had organized regular health check-up and animal husbandry camps around its factories at Nabha and Rajahmundry. As a step towards scientific advancement, Embryo Transfer Technology has been introduced to improve genetic potential which will help in increasing the cattle yield in the villages around Rajahmundry Factory.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are enclosed.

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 | Nicholas J. Massey | G. K. Chakraborty |
| <i>Chairman</i> | <i>Managing Director</i> | Ashok Dayal |
| | | P. S. Mukherjee |
| | | <i>Directors</i> |

Gurgaon

Dated : January 23, 2004

ANNEXURE TO THE DIRECTORS' REPORT 2003

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

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

In continuation of the energy saving measures initiated by the Company the coal usage per ton of production has been reducing gradually over the years. Consumption of coal per ton of production has shown a reduction of 6.5 % compared to last year. This was achieved through various measures such as improving the Boiler efficiency by closely monitoring and controlling the Air-Fuel ratio based on fuel gas oxygen percentage, effective utilization of steam, avoiding steam wastage.

2. Electricity

Usage of Electricity per unit of production has increased by 9.3 % in the current year primarily due to comparatively higher consumption of electricity in our new fully automated Sonapat plant. The Co-Generation plant installed last year at Rajahmundry site resulted in generating more than 30% of the power requirement using the steam generated for the process utilities. Installation of energy efficient centralised compressed air system and energy efficient lighting system also resulted in savings in electricity consumed during the year.

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

Various steps and measures are being initiated to continuously improve on consumption of coal at Nabha and Rajahmundry plants and electricity at all the sites.

(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

As already mentioned in (a) 1 above, the coal consumption per ton of production has been continuously improving over the last five years. However, in the current year electricity consumption per ton of production increased due to comparatively higher consumption of electricity in our new fully automated Sonapat plant resulting in a relatively increased cost of electricity per ton of production.

ANNEXURE TO THE DIRECTORS' REPORT 2003

(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" | |
|--|--|----------|----------|
| | | 2003 | 2002 |
| A. Power and Fuel Consumption | | | |
| 1. Electricity | | | |
| a) Purchased Units (in Lakhs) | | 1,92.33 | 1,92.98 |
| Total amount (Rs. Lakhs) | | 8,20.10 | 7,70.03 |
| Rate/Unit (Rs.) | | 4.26 | 3.99 |
| b) Own Generation- | | | |
| 1) DG Sets | | | |
| Units (in Lakhs) | | 74.72 | 62.17 |
| Units per litre of Diesel oil | | 3.88 | 3.79 |
| Cost/Unit (Rs.) | | 5.12 | 4.50 |
| 2) Turbine | | | |
| Units (in lakhs) * | | 21.07 | 2.80 |
| 2. Coal Used in Boilers | | | |
| Quality (Calorific value ranging between 2500 to 3500 BTU) | | | |
| Quantity (Tonnes)* | | 22,295 | 23,287 |
| Total Cost (Rs. Lakhs) | | 5,66.89 | 6,05.78 |
| Average Rate (Rs.) | | 2,542.69 | 2,601.34 |

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

B. Consumption per unit of Production:

| | Current Year | | Previous Year | |
|---|--------------|-------|---------------|-------|
| | Coal | Power | Coal | Power |
| | MT | Units | MT | Units |
| 1. Malted Milkfood/ Malted Food/ Energy and Protein Health Food/ Powdered Milk (Per Ton) | 0.439 | 562 | 0.480 | 514 |
| 2. Ghee & Butter (Per Ton) | 0.317 | 328 | 0.383 | 329 |

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

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

The Research and Development Centre continued to provide valuable support for improvement in

quality of existing products, development of new products, and processes for better productivity, quality cost effectiveness, superior product claims and improved packaging.

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

Production processes have improved resulting in enhanced productivity, efficiency in throughput and introduction of new variants.

(3) Further Plan of Action

Steps are continuously being initiated to upgrade the processing technologies, development of science based innovative products of higher nutritional value and to maximise production capacity at optimum cost.

(4) Expenditure on R&D

| | (Rs. Lakhs) | |
|---|-------------|---------|
| | 2003 | 2002 |
| a) Capital | 33.25 | 72.39 |
| b) Recurring | 4,68.00 | 4,54.23 |
| c) Total | 5,01.25 | 5,26.62 |
| d) Total R&D Exp. as a percentage of total turnover | 0.55% | 0.60% |

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 declined in the current year primarily from Bangladesh, Myanmar, Sri Lanka and Middle East markets. 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. Lakhs) | |
|---------------------------|-------------|----------|
| | 2003 | 2002 |
| Foreign exchange earnings | 21,11.48 | 24,14.03 |
| Foreign exchange outgo | 8,42.02 | 13,40.46 |



DIRECTORS' REPORT

ANNEXURE TO THE DIRECTORS' REPORT 2003

INFORMATION AS PER SECTION 217(2A) OF COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2003.

| Name | Age (Years) | Date of Commencement of Employment | Designation/ Nature of Duties | Gross Remuneration Rs. | Qualifications | Experience (Years) | Previous Employment/Position Held | |
|--|------------------------|------------------------------------|-------------------------------|---|----------------|--|-----------------------------------|--|
| A. EMPLOYED THROUGHOUT THE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING TO RS. 24,00,000/- PER ANNUM OR MORE | | | | | | | | |
| 1 | Ambati Venu | 34 | 01-06-1992 | General Manager - Sales Eastern Region | 25,63,358 | B.E.(Mech.), P.G.D.M. | 11 | — |
| 2 | K. G. K. Prasad | 43 | 05-06-1982 | General Manager - Sonepat Factory | 25,70,118 | B. Sc.(D.T.) | 21 | — |
| 3 | M. S. Chhachhi | 49 | 16-08-1994 | General Manager - Corporate Production Services | 39,65,837 | B.Tech., P.G.D.M. | 25 | Factory Manager, Britannia Ind.Ltd. |
| 4 | Nicholas J. Massey | 49 | 01-11-2002 | Managing Director | 68,28,211 | M.A. in Politics, Philosophy and Economics | 21 | Vice President & General Manager - GlaxoSmithKline plc, U.K. |
| 5 | P. Dwarakanath | 57 | 22-06-1979 | Director - Human Resources & Admin. | 56,61,293 | B.Sc., B.L., P.G.D.M.(P.M. & I.R.) | 35 | Law Officer, I.D.L. Chemicals Ltd. Hyderabad. |
| 6 | P.K. Chaudhary | 47 | 01-12-1979 | General Manager - R. & D. | 30,94,905 | M.Sc. | 24 | — |
| 7 | P. M. Mathai* | 53 | 01-05-1986 | General Manager - C.E.S. | 37,13,334 | B.Tech., P.G.D.M. | 29 | Branch Manager, Voltas Ltd. |
| 8 | P. S. Mukherjee | 54 | 01-04-1977 | Director - Legal & Corporate Affairs | 53,81,825 | M.A., L.L.B. | 31 | Legal Assistant, Indian Aluminium Co.Ltd., Calcutta. |
| 9 | Praveen Kumar Gupta | 47 | 15-10-1976 | General Manager - Nabha Factory | 30,39,803 | M. Com. | 27 | — |
| 10 | Sameer Goel | 40 | 01-05-1987 | Vice President - Sales | 40,97,314 | B.A.(H.), P.G.D.M. | 16 | — |
| 11 | Sunder Kumar | 46 | 20-12-1982 | General Manager Legal & Company Secretary | 26,55,870 | M.Com., L.L.B., F.C.S. | 31 | — |
| 12 | V. K. Chopra | 53 | 01-05-1970 | Head of Central Quality | 34,92,233 | M.Sc. | 23 | Trainee Chemist, Indian Sugar & Gen.Engg. Co, Yamunanagar. |
| B. EMPLOYED FOR A PART OF THE YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING TO RS. 2,00,000/- PER MONTH OR MORE | | | | | | | | |
| 13 | A. R. Murthy | 45 | 27-01-1992 | Executive - Sales | 5,53,915 | B. Sc. | 11 | — |
| 14 | Abhinandan Chatterjee | 53 | 11-07-1994 | Director - Finance & Information Technology | 1,12,17,372 | B.Com.(H), F.C.A. | 31 | General Manager, Eicher Goodearth Ltd. |
| 15 | C. S. Sivakumar | 56 | 03-02-1975 | Assistant Manager - Sales | 8,31,104 | B. Sc. | 28 | — |
| 16 | C. H. Lambert | 50 | 01-04-1996 | Vice President - G.M.S. | 56,95,281 | H.N.D.(Food Tech.) | 27 | Manager, Project-Operations, S.B.C.H. Singapore. |
| 17 | D. Manoj Kumar | 39 | 01-03-1989 | Executive - Sales | 4,24,311 | B. Sc. Chem. | 14 | — |
| 18 | D. Narendra Babu | 56 | 01-01-1973 | Manager - E. & S. | 24,24,344 | P.U.C., L. L. E. (Diploma) | 31 | — |
| 19 | D. S. Narayana | 50 | 01-09-1975 | Permanent Workman | 4,80,939 | — | 28 | — |
| 20 | David S. Allen | 61 | 01-08-2003 | Vice President - G.M.S. | 15,65,919 | B. Pharm(H), M.R.Pharm.S. | 35 | Site Director-Stafford Miller U.K. Ltd. |
| 21 | David S. Thomas | 37 | 15-11-2001 | General Manager - Marketing (O.H.C.) | 25,42,875 | B. Comm. (Marketing) | 10 | Senior Group Product Manager, GlaxoSmithKline, South Africa. |
| 22 | Dinesh Kaushal | 38 | 02-01-1986 | Assistant Manager - Sales | 14,56,054 | B. Com. | 18 | — |
| 23 | G. K. Chakraborty | 49 | 14-11-1983 | Director - Finance & Information Technology | 28,52,604 | B. Com.(H), A.C.A., A. I. C. W. A. | 23 | Admin. Officer, Rasoi Ltd., Calcutta. |
| 24 | Gautam Ghosh | 50 | 01-09-1982 | Deputy Manager - Sales | 11,79,129 | B. Com.(H), P.G.D. Sales & Mkt. | 21 | — |
| 25 | K. S. Khaira | 50 | 01-04-1978 | Assistant Manager - Factory Quality Control | 5,11,049 | B. Sc. Agr. | 25 | — |
| 26 | Leanne Cutts | 38 | 01-04-2003 | Vice President - Marketing | 24,21,578 | Bachelor in Economics, M.B.A. | 16 | Category Manager - Marketing, GlaxoSmithKline, U.K. |
| 27 | M. D. Parthasarathy | 50 | 01-07-1986 | Retail Development Officer | 8,94,432 | B. A. | 17 | — |
| 28 | Milan Chakravarti | 50 | 01-05-1997 | General Manager - Taxation | 16,30,627 | M.Com., L.L.B, A.C.A. | 25 | ITC Limited, Calcutta. |
| 29 | Mohit Jain | 37 | 01-04-1997 | General Manager - Procurement | 2,805,264 | B.Sc. in Chem. Engg., M.M.S. | 13 | Regional Manager- Paper Products Ltd., New Delhi. |
| 30 | N. Ramesh | 48 | 01-07-1986 | Sales Officer | 6,03,660 | B. A. | 17 | — |
| 31 | N. Sugumar | 48 | 15-06-1988 | Sales Officer | 5,31,501 | B. Sc. | 15 | — |
| 32 | Narotam Kumar Gupta | 47 | 11-10-1977 | Vice President - N.F.S.D. & N.B.D. | 29,51,915 | B. Com. (H) | 26 | — |
| 33 | Partha Sarkar | 39 | 16-12-1991 | Manager - Marketing | 8,86,085 | P.G.D.M. | 15 | Area Manager, Shawwallace & Company Ltd., Calcutta. |
| 34 | R. Subbarayan | 57 | 01-05-1972 | Director - Sales & Marketing | 1,93,94,039 | B. Sc. | 37 | Sales Officer, Cochin Pharma. Co. |
| 35 | Ranjan Mitra | 54 | 01-09-1982 | Deputy Manager - Legal | 26,20,687 | B.A. | 22 | Sales Rep., G. Artherton & Co. (P) Ltd. |
| 36 | S. K. Nagpal | 55 | 23-07-1969 | Deputy Manager - Production | 20,80,223 | B. A., I. D. D. | 34 | — |
| 37 | S. Karimuddin | 52 | 01-04-1973 | Permanent Workman | 6,62,756 | — | 30 | — |
| 38 | S. R. Vishwanath | 36 | 15-03-1989 | Sales Officer | 5,57,169 | B. Com. | 14 | — |
| 39 | Shubhaji Sen | 34 | 01-06-1992 | General Manager - Marketing (N.H.C.) | 7,40,439 | B.A.(H), P.G.D.M. | 10 | — |
| 40 | Sibdas Maitra | 51 | 15-05-1981 | Retail Development Officer | 10,40,729 | B. Com. | 22 | — |
| 41 | Sucheta Govil | 40 | 01-05-1987 | General Manager - Marketing (N.H.C.) | 50,40,724 | B.A.(H), P.G.D.M. | 17 | Management Trainee, Burroughs Wellcome (India) Ltd., Mumbai. |
| 42 | Tapan Chowdhury | 55 | 01-09-1982 | Retail Development Officer | 8,38,575 | B. Sc. | 21 | — |
| 43 | T. V. R. Narasimha Rao | 54 | 01-12-1976 | Deputy Manager - E. & S. | 18,50,266 | B. Sc. | 27 | — |
| 44 | V. K. Anand | 49 | 20-06-1994 | Manager - E. & S. | 18,94,958 | B. E. Mech. | 26 | Senior Manager - Engg., Hindustan Syringes, Faridabad. |
| 45 | V. Seshagiri Rao | 51 | 02-06-1975 | Manager Finance - Packing Station | 14,56,852 | B. Com. | 28 | — |
| 46 | Y. Srinivasu | 44 | 02-05-1988 | Sales Officer | 5,22,685 | B. Com. | 15 | — |

NOTES:

* Services seconded to another company.

Remuneration includes Salaries, Bonus, Allowances, Commission, Company's Contribution to Provident Fund and to Pension Fund, Leave Travel Allowance, Medical Insurance Premium, Personal Accident Insurance Premium and value of perquisites, wherever applicable. All appointments are/were on contractual basis. Other terms and conditions are as per Company's Rules. None of these employees are related to any Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The financial statements of the Company for the year ended 31st December, 2003 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) accept 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 provision of the Companies Act, 1956. The system of internal controls 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

Nicholas J. Massey
Managing Director

G. K. Chakraborty
Ashok Dayal

P. S. Mukherjee
Directors

Gurgaon

Dated : January 23, 2004

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

GlaxoSmithKline Consumer Healthcare Ltd. an associate of GlaxoSmithKline plc. is committed in adopting the best global practices of Corporate Governance. Corporate Governance envisages commitment of the Company towards the attainment of high levels of transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders for wealth creation.

BOARD OF DIRECTORS

Composition of the Board of Directors and other details as on 31st December, 2003 is as under:

| Name of the Director | Category of Directorship | No. of Board meetings attended | Attendance at last AGM held on 17 th April, 2003 | No. of directorships in other Public Companies | No. of Committee Position held in Other Public Companies | |
|--|--------------------------|--------------------------------|---|--|--|--------|
| | | | | | Chairman | Member |
| Mr. S. J. Scarff | NEC | 5 | Yes | 2 | 0 | 1 |
| Mr. Nicholas J. Massey | MD | 5 | Yes | Nil | Nil | Nil |
| Mr. Ashok Dayal | NED-I | 4 | Yes | 2 | 1 | 0 |
| Mr. A.S. Lakshmanan | NED-I | 5 | Yes | 6 | 4 | 5 |
| Mr. P. Murari | NED-I | 5 | Yes | 10 | 1 | 8 |
| Mr. S.S. Dugal | NED-I | 5 | Yes | Nil | Nil | Nil |
| Mr. Kunal Kashyap | NED-I | 4 | No | 1 | 0 | 2 |
| Mr. P.S. Mukherjee | WTD | 5 | Yes | Nil | Nil | Nil |
| Mr. Abhinandan Chatterjee (up to 23.10.2003) | WTD | 4 | Yes | Nil | Nil | Nil |
| Mr. G.K. Chakraborty (w.e.f. 23.10.2003) | WTD | 2 | N.A. | Nil | Nil | Nil |
| Mr. Ian McPherson | NED | Nil | No | Nil | Nil | Nil |
| Mr. R. Subbarayan (Alternate Director to Mr. Ian McPherson up to 31.01.2003) | WTD | 1 | N.A. | Nil | Nil | Nil |
| Mr. Colin Handcock | NED | Nil | No | Nil | Nil | Nil |
| Mr. P. Dwarakanath (Alternate Director to Mr. Colin Handcock) | WTD | 4 | Yes | Nil | Nil | Nil |
| Mr. V. Thyagarajan (up to 31.01.2003) | NED | Nil | N.A. | Nil | Nil | Nil |

NEC - Non Executive Chairman

MD - Managing Director

WTD - Wholetime Director

NED - Non Executive Director

NED-I - Non Executive Director - Independent

Dates of Board Meetings held during the year: 31st January, 2003; 16th April, 2003; 25th July, 2003; 23rd October, 2003 and 10th December, 2003.

AUDIT COMMITTEE

The Company has an Audit Committee comprising of 3 members all of whom are Independent Directors and all of them possess financial and / or accounting knowledge. The Chairman of the Committee is Mr. Ashok Dayal with Mr. Kunal Kashyap and Mr. P. Murari as its members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee. The Finance Director, the concerned partners of Price Waterhouse, the Statutory Auditors and the Cost Auditors are permanent invitees to the Audit Committee meetings. It has been the practice of the Chairman of the Audit Committee to extend an invitation to the Chairman and the Managing Director to attend each Audit Committee Meeting. We also have a multi disciplinary Internal Audit Team which submits its report directly to the Audit Committee on a quarterly basis and the Head of Internal Audit Department reports to the Audit Committee. The Chairman of the Audit Committee attended the last Annual General Meeting held on 17 April, 2003 to answer shareholders queries.

Brief Description of the terms of reference:

The functioning and terms of reference of the Audit Committee are as prescribed under Section 292A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges including their role, powers and duties, quorum for meeting and frequency of meetings.

The Audit Committee:-

1. is responsible for effective supervision of the financial reporting process, ensuring financial, accounting and operating controls and ensuring compliance with established policies and procedures.
2. determines adequacy of internal controls and ensures its effectiveness.

3. identifies, defines and categorises all the risks that the Company faces and evaluates the steps that the Company takes to mitigate such risks.
4. comprehensively reviews, evaluates and updates the internal control systems on an ongoing basis. It facilitates imbedding of the self audit process in the work flow alongwith supporting the business objectives.
5. reviews the financial results for each quarter/period before being placed to the Board of Directors for approval.
6. reviews on a quarterly basis the compliance certificates received from each locational/functional heads on compliance with company's laid down policies and practices, accounting standards, all fiscal, commercial and statutory laws, as applicable.
7. provides an open avenue of communication between the internal audit team, the statutory auditors and the Board of Directors.
8. advises on the nature and scope of the Audit work being done by the Internal Audit Team. In order to ensure the independence of the Audit team the Chairman of the Audit Committee also evaluates the performance of the Audit team against their annual targets jointly with the management of the Company.

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

| Director | No. of meetings attended |
|-------------------|--------------------------|
| Mr. Ashok Dayal | 3 |
| Mr. Kunal Kashyap | 3 |
| Mr. P. Murari | 3 |

INVESTOR GRIEVANCE COMMITTEE

The Investor Grievance Committee comprises of 3 members, of which 2 are Independent Directors. The Chairman of the Committee is Mr. A.S. Lakshmanan with Mr. S.S. Dugal and Mr. P.S. Mukherjee as its members. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee and also as the Compliance Officer.

Brief Description of the terms of reference:

The functioning and terms of reference of the Committee are as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialisation, 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. A.S. Lakshmanan | 4 |
| Mr. S.S. Dugal | 4 |
| Mr P.S. Mukherjee | 4 |

The total number of complaints received and replied to the satisfaction of the shareholders during the year under review were 485. The Company attends to the investors correspondence expeditiously and usually a reply is sent within 3 days of receipt, except in cases that are constrained by disputes or legal impediments. There are no pending share transfers as on 31st December, 2003 and the shares after transfer are despatched within 2 days from their approval at the Share Transfer Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of 3 members. The Chairman of the Committee is Mr. S.S. Dugal, an Independent Director and the other members are Mr. Kunal Kashyap, also an Independent Director and Mr. P. Dwarkanath. Mr. Surinder Kumar, Company Secretary acts as Secretary to the Committee.

Brief Description of the terms of reference:

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

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

| Director | No. of meetings attended |
|-------------------|--------------------------|
| Mr. S.S. Dugal | 2 |
| Mr. Kunal Kashyap | 2 |
| Mr. P. Dwarkanath | 1 |

REMUNERATION PAID TO DIRECTORS IN THE YEAR 2003

| | | | | | | | | (Rs.) |
|-------|------------------------|---|-----------|-----------|--------------------------|----------|---------------------------------------|----------------|
| S.No. | NAME | DESIGNATION/ POSITION | SALARY | BENEFITS | PERFORMANCE INCENTIVE | LTA | CONTRIBUTION TO SUPER ANNUATION | GRAND TOTAL |
| 1. | Mr. Nicholas J. Massey | Managing Director | 42,00,000 | 32,06,288 | - | - | - | 74,06,288 |
| 2. | Mr. A. Chatterjee | Director-Finance & Information Technology | 28,81,498 | 10,36,511 | - | 2,00,000 | 3,54,515 | 44,72,524 |
| 3. | Mr. G.K. Chakraborty | Director-Finance & Information Technology | 4,92,419 | 3,23,630 | - | 2,00,000 | 73,863 | 10,89,912 |
| 4. | Mr. P.S. Mukherjee | Director-Legal & Corporate Affairs | 39,29,940 | 7,33,133 | - | 2,00,000 | 3,92,841 | 52,55,914 |
| 5. | Mr. P. Dwarakanath | Director- H.R. & A. (Alternate Director to Mr. Colin Handcock) | 42,47,790 | 6,31,792 | - | 2,00,000 | 4,40,519 | 55,20,101 |
| 6. | Mr. R. Subbarayan | Director – Sales & Marketing (Alternate Director to Mr. Ian McPherson) | 3,38,910 | 1,08,214 | - | - | 34,787 | 4,81,911 |

| | | | | | | (Rs.) |
|------|---------------------|----------------------|--------------|------------|----------|-------|
| S.NO | NAME | PARTICULARS | SITTING FEES | COMMISSION | TOTAL | |
| 1. | Mr. S.S. Dugal | Independent Director | 75,000 | 2,00,000 | 2,75,000 | |
| 2. | Mr. Ashok Dayal | Independent Director | 50,000 | 2,00,000 | 2,50,000 | |
| 3. | Mr. A.S. Lakshmanan | Independent Director | 60,000 | 2,00,000 | 2,60,000 | |
| 4. | Mr. P. Murari | Independent Director | 60,000 | 2,00,000 | 2,60,000 | |
| 5. | Mr. Kunal Kashyap | Independent Director | 65,000 | 2,00,000 | 2,65,000 | |

ANNUAL GENERAL MEETINGS

Location and time for the last three AGM's:

| Year | Date | Venue | Time |
|------|------------------------------|--|------------|
| 2001 | 28 th March, 2001 | Punjab Public School Auditorium, The Punjab Public School (Senior Wing), Nabha -147 201 (Punjab) | 10.00 a.m. |
| 2002 | 19 th April, 2002 | - same as above- | 10.00 a.m. |
| 2003 | 17 th April, 2003 | - same as above- | 10.00 a.m. |

No postal ballot resolutions were passed.

DISCLOSURE

During the year 2003, the Company has related party transactions as is envisaged under the Corporate Governance Code which have been mentioned in Note 23 under Schedule 17 to the Accounts.

There has not been any non compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets, during the last year.

MEANS OF COMMUNICATIONS

Half yearly Report to each household of shareholders

Half-yearly report is provided to shareholder on a request made to the Company.

Quarterly Results

Wide publicity is accorded to publication of Quarterly Results which are published in a widely circulated English daily and a Punjabi daily as is required under the Listing Agreement with the Stock Exchanges. The same are also faxed to the Stock Exchanges where the Company is listed. The Company also has its own official press releases to various newspapers through its Public Relations agency.

Presentation made to institutional investors or to analysts

Regular meetings & teleconferences were held with the Financial Institutions, Foreign Institutional Investors and Analysts. About twenty meetings and six teleconferences were held during the year with different Financial Analysts. They are also provided with a copy of the quarterly results after the same has been faxed to the Stock Exchanges.

Management Discussion and Analysis is reported in this Annual Report

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting: Date, time & venue

The Forty fifth Annual General Meeting is scheduled to be held on 30th April, 2004 at 10 a.m. at the Punjab Public School Auditorium, The Punjab Public School (Senior Wing), Nabha, 147 201 (Punjab) as per notice enclosed with the Annual Report.

Financial Calendar

| Particulars | Date | Particulars | Date |
|--|----------------------------|--|-------------------|
| 1. Quarter ending 31 st March, 04 | 30 th April, 04 | 3. Quarter ending 31 st Sept., 04 | End October, 04 |
| 2. Quarter ending 30 th June, 04 | End July, 04 | 4. Year ending 31 st Dec., 04 | Beginning Feb, 05 |

Date of book closure

The books will be closed for the purposes of the Annual General Meeting from 27th April, 2004 to 30th April, 2004 (both days inclusive).

Dividend payment date

No final dividend has been recommended by the Board of Directors for the year ended 31st December, 2003. Two interim dividends aggregating to Rs. 7/- per equity share of Rs. 10/- each were paid to the shareholders for the year ended 31st December, 2003.

| Dividend | Date of Declaration | Date of Payment | Rate per equity share |
|-------------------------|---------------------------------|-------------------------------|-----------------------|
| 1 st Interim | 25 th July, 2003 | 22 nd August, 2003 | Rs. 3.30/- |
| 2 nd Interim | 10 th December, 2003 | 8 th January, 2004 | Rs. 3.70/- |

Listing on Stock Exchanges & Stock Code

Your Company is Listed at 6 Stock Exchanges in India, the addresses of which are listed below.

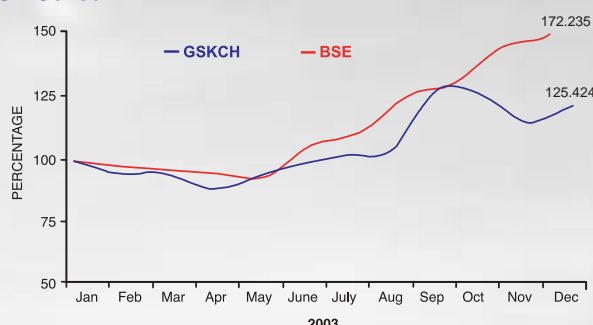
| Stock Exchange | Stock Code |
|---|----------------------------------|
| The Ludhiana Stock Exchange Assn. Ltd., Feroze Gandhi Market, Ludhiana - 141 001 | SKLN |
| The Delhi Stock Exchange Assn. Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi - 110 002 | 000020 |
| The Stock Exchange, Stock Exchange Towers, Dalal Street, Fort, Mumbai - 400 023 | Physical 676 Demat 50676 |
| The Calcutta Stock Exchange Assn. Ltd., Lyons Range, Kolkata - 700 001 | Physical 29047 Demat 10029047 |
| Madras Stock Exchange Ltd., 11, Second Line Beach, Chennai - 600 001 | HMM |
| The National Stock Exchange Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 | GSKCONS |

The Listing Fee for the year 2003-2004 has been paid to all the Stock Exchanges.

Market price data :High and Low during each month in last financial year from January, 2003 – December, 2003 on the Stock Exchange, Mumbai.

| MONTH | HIGH | LOW | MONTH | HIGH | LOW |
|----------------|--------|--------|-----------------|--------|--------|
| January, 2003 | 271.00 | 258.30 | July, 2003 | 279.00 | 253.10 |
| February, 2003 | 255.20 | 205.20 | August, 2003 | 283.95 | 256.00 |
| March, 2003 | 255.00 | 200.50 | September, 2003 | 360.00 | 284.00 |
| April, 2003 | 237.00 | 203.00 | October, 2003 | 355.00 | 288.00 |
| May, 2003 | 250.00 | 212.00 | November, 2003 | 318.50 | 288.00 |
| June, 2003 | 267.70 | 235.00 | December, 2003 | 339.90 | 304.25 |

Performance in comparison to BSE Sensex



Taking the January 2003 indexed at 100, the BSE sensex moved to 172.23 through December 2003, whereas GSKCH scrip moved to 125.42 during the same period

Registrar and Transfer Agents

We have no Registrar and Transfer Agents as we have an inhouse share transfer system. Electronic connectivity for both NSDL and CDSL, which was being provided by MCS Ltd. during 2003, is now being provided by the company from its office located at:

GlaxoSmithKline Consumer Healthcare Ltd., DLF Plaza Tower, DLF City - I, Gurgaon - 122002

We are also the Share Transfer Agents for GlaxoSmithKline Pharmaceuticals Ltd. and Burroughs Wellcome (India) Ltd.

Share transfer system

We work on the share package "COSAC" developed by Dolphin Infotek (Pvt.) Ltd. and is adequately fulfilling our needs.

Distribution of shareholding as on 31st December, 2003

| No. of Shares | No. of Shareholders | No. of Shares | Percent of total shares |
|-----------------|---------------------|--------------------|-------------------------|
| 01 to 250 | 19,686 | 17,60,315 | 3.88 |
| 251 to 500 | 6,242 | 21,10,481 | 4.65 |
| 501 to 1000 | 1,869 | 13,27,417 | 2.93 |
| 1001 to 2000 | 513 | 7,38,050 | 1.63 |
| 2001 to 3000 | 174 | 4,33,930 | 0.96 |
| 3001 to 4000 | 96 | 3,39,391 | 0.75 |
| 4001 to 5000 | 46 | 2,10,513 | 0.46 |
| 5001 to 10000 | 120 | 8,78,597 | 1.94 |
| 10001 and above | 168 | 3,75,73,524 | 82.80 |
| In transit | | 8,403 | 0.02 |
| Total | 28,914 | 4,53,80,621 | 100.00 |

| Particulars | No. of Shares Held | Percent of shares held (rounded off) |
|---|--------------------|--------------------------------------|
| 1 Promoters - M/s Horlicks Limited | 1,81,52,243 | 39.999 |
| 2 Mutual Funds & UTI | 29,15,893 | 6.425 |
| 3 Banks, Financial Institutions & Insurance Companies | 75,42,527 | 16.621 |
| 4 Foreign Institutional Investors | 45,80,136 | 10.093 |
| 5 Private Corporate Bodies | 24,64,907 | 5.432 |
| 6 Indian Public | 96,25,921 | 21.211 |
| 7 NRIs / OCBs | 90,591 | 0.200 |
| 8 Any others | 8,403 | 0.019 |
| Total | 4,53,80,621 | 100.00 |



CORPORATE GOVERNANCE REPORT

Dematerialisation of shares and liquidity

We have dematerialised 50.363% of our equity share capital, in addition to which 39.99% is held by Horlicks Ltd., hence only 9.638% of the 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 & Share Department: DLF Plaza Tower, DLF City, Phase I, Gurgaon – 122 002 (Haryana)

Name, Address and contact numbers of the Compliance Officer: Surinder Kumar, Company Secretary, DLF Plaza Tower, DLF City, Phase I, Gurgaon - 122 002, Telephone: (0124) 509 7202 or (0124) 254 0724, Facsimile: (0124) 254 0734

Email for Investors: investor.2.co@gsk.com

For and on behalf of the Board

Place : Gurgaon
Dated : January 23, 2004

S. J. Scarff
Chairman

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of GlaxoSmithKline Consumer Healthcare Limited

We have reviewed the implementation of Corporate Governance procedures by GlaxoSmithKline Consumer Healthcare Limited during the year ended December 31, 2003, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of 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.

We further 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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the stock exchange (s) have been complied with in all material respects by the Company and that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

S. Berera
Partner

Membership No. F83826

For and on behalf of

Price Waterhouse
Chartered Accountants

Place : Gurgaon
Dated : January 23, 2004

INDUSTRY STRUCTURE AND DEVELOPMENT

The food processing industry in India is one of the largest in the world, both in terms of production and consumption. In the era of economic liberalisation the private, public and co-operative sectors are playing their rightful role in the development of food processing industry.

A number of incentives and reliefs introduced since 1991 have served to encourage the growth of the processed foods industry. The industry attracted foreign direct investment totaling Rs.157.50 crores in the Financial Year 02-03. Regulatory norms have been progressively liberalised over the decade and 100 per cent foreign direct investment allowed in food processing units.

The company operates in the FMCG Sector. For many reasons including indifferent monsoons the overall sector has under-performed over the last few years. It is important that companies focus energies on innovation in order to excite consumers and thereby put growth back into the sector.

Your Company is one of the leading healthcare companies of India. Our mission is to improve the quality of human life by helping people do more, feel better and live longer.

OPPORTUNITIES & THREATS

Your Company is increasingly focused on the challenge of bringing innovation to the market. New product ideas behind our brands will be centred on consumers and delivered by science. A robust 'new products and innovation' process is now in place, and several projects are already showing much promise in consumer research.

Your Company is continuously exploring possibilities to overcome the challenges and threats of inflationary pressures on media buying and an ever-increasing programming choice/ advertising clutter facing consumers. We are working harder than ever with our media partners to find innovative lower cost solutions that will make consumer reach effective and affordable.

RISKS & CONCERNS

All FMCG companies need to consider carefully how consumers will react to any retail price change. Market research information is critical to support management judgement. It is imperative that your company gets the price-value equation right, especially since some of our input costs, being agricultural, are by nature somewhat unpredictable and may vary substantially from year-to-year.

Your Company conducts regular 'risk-mapping' to identify potential business threats and develop appropriate risk mitigation plans. In today's world, it is particularly important that a company's crisis management capability is well honed to protect its reputation with its stakeholders.

Your Company has a disaster recovery facility at a site in Pune where the entire information system including information of every site, every category of the product and Information Technology systems are sent on a monthly basis to maintain a back up of entire financial and other data.

FINANCIAL RISK

The Company's new state of the art plant at Sonapat was commissioned mid 2002. Unfortunately this coincided with the downturn in the overall FMCG sector. Whilst your company has seen a recovery on its volumes, the utilisation of the plant is lower than our original projections. This has reduced the operating leverage of the company, however your company feels that its current operating margin at 16.4 % is more than satisfactory to meet the needs of its ongoing business operations.

The company has no loan outstanding as on December 31, 2003. Further, with Short Term Fixed Deposits in excess of Rs 150 Crores the company has no risk of financial leverage.

The company has minimal import requirements for its production process. The company exports during the year stood as Rs 39,84.56 Lakhs. Hence no risk is envisaged to the business on account of currency fluctuations.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Being a process oriented company, GlaxoSmithKline Consumer Healthcare Ltd. (GSKCH) has in place well documented and structured systems and processes which are totally in tune with the Global Best Practices in various functions. In GSKCH there are well-defined and documented roles and responsibilities for people in all functions at various levels. These, coupled with robust monthly information systems, ensure appropriate information flow to facilitate monitoring and diagnosis of any variance from best practices. Adherence to these best practices is ensured through frequent internal audits. Additionally, the following measures are in place to ensure proper control :

- Structured Self Assessment Questionnaires covering all functions in the company are filled in periodically by the respective Functional Heads. This is in confirmation of their compliance to the laid down internal control systems and procedures and the global best practices
- Any material variance from budget has to be approved by the Management Team

- Any major policy change is approved by the Managing Director
- All Functional Heads submit reports of their functions and achievements every month at the Management Team meeting and these are reviewed by the Managing Director
- There is a well documented and structured Disaster Recovery policy in place. The company is in the process of developing a structured Business Continuity plan.

The Directors consider the current internal control systems in place to be robust and adequate for the business.

FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

(A) Results of Operations

1. Sales

The sales increased by 4.9%, primarily due to volume increase and launch of new variants of Horlicks. The export sales of Rs. 39,84.56 Lakhs represented a decline of 2.8% over the previous year.

2. Other Income

Other Income increased by Rs. 5,32.05 Lakhs primarily due to the write back of provisions made in earlier years, which are no longer required.

3. Expenditure

The cost of Raw Materials including Purchased Finished Goods as a percentage of sales during the current year has increased to 22.7% as against 21.1% last year. This is mainly due to increase in input costs of Milk / SMP, two of our major Raw Material.

Purchase of finished goods represents the quantum of finished goods stock worth Rs. 8,02.84 Lakhs of Viva / Maltova which was purchased outright from Jagatjit Industries Ltd. for the purpose of exports.

Employees' cost increased marginally by 1% in the current year, mainly due to the incremental cost at Sonapat Plant and also less recoveries made from another company for services rendered in accordance with the service agreement based on the recommendations of an independent study.

Other expenses have increased by 13.37% primarily due to the full year impact of Sonapat plant and continued investment behind the brands as reflected in increase of Advertisement and Promotion spend during the year.

Depreciation for the year is higher by Rs 10,06.57 Lakhs mainly due to the full year impact of the new plant at Sonapat, which was capitalised on 1st July , 2002.

4. Profit before Taxation

Profit before Taxation amounted to Rs. 99,57.72 Lakhs representing a decline of 21.4% over previous year.

5. Provision for Taxation

The company has made provisions for taxation for the year amounting to Rs. 23,23.15 Lakhs (Net of deferred tax reversal of Rs 7,46.85 Lakhs) on Profits before Tax. The effective tax rate for the year is 23.3% as against the marginal tax rate of 35.875 % mainly due to the favourable impact on Deferred Tax for Impairment of Patents and Trademarks to the extent of 11.4 % .

(B) FINANCIAL CONDITION

Overview

The Financial statements have been prepared in compliance with the requirements of the Companies Act and the generally accepted Accounting Principles (GAAP) and the Accounting Standards issued by the Institute of Chartered Accountants of India.

1. Reserves and Surplus

The Reserves and Surplus increased by Rs. 8,89.33 Lakhs representing the transfers made from the Profit & Loss account to General Reserves during the year after adjusting the impairment of Patents and Trade Marks to the extent of 31,61.56 Lakhs. The transfer was made after providing for a dividend payment of Rs. 35,83.68 Lakhs including Dividend Tax for the year 2003.

2. Fixed Assets

Additions of Rs 11,75.14 Lakhs during the year include primarily Plant and Machinery (Rs. 4,24.89 Lakhs) and Furniture & Fixture (Rs. 2,72.04 Lakhs).

3. Inventories

Inventories amounted to Rs. 92,33.47 Lakhs as at 31.12.2003 as against Rs. 86,08.28 Lakhs as at previous year end. The increase is primarily on account of increase in Work in Progress from Rs 3,95.75 Lakhs to Rs 9,48.54 Lakhs.

The inventories do not include any obsolete and unserviceable items lying at the locations. Total inventory holding as at end December increased to 8 weeks holding from 7 weeks last year end.

4. Sundry Debtors

Sundry debtors amounted to Rs. 18,37.73 Lakhs as at end December, 2003 as against Rs. 44,32.04 Lakhs as at end December, 2002. The debtors have decreased on account of lower December sales in the current year as compared to last year. The debtors are net of provision for bad and doubtful debts amounting to Rs 1,67.44 Lakhs.

The debtors as at end December, 2003 represent 8 days sales value as against 17 days last year.

5. Cash and Bank Balances

Cash and Bank balances with scheduled banks amounting to Rs. 2,03,79.39 Lakhs includes the collections in transit for cheques which have been deposited in banks but not realised till 31.12.2003, the short term deposits of Rs. 1,60,50.00 Lakhs with various scheduled banks and Rs. 17,93.72 Lakhs on dividend accounts.

6. Loans and Advances

Loans and advances amounting to Rs. 43,97.59 Lakhs includes advances paid for raw and packing materials, stores and services, pre-paid insurance, loans and advances paid to employees and advances paid to Excise Authorities and advance tax (Net of provisions). The total loans and advances declined by Rs. 10,78.38 Lakhs compared to last year.

7. Current Liabilities

Sundry Creditors amounting to Rs.1,21,98.00 Lakhs include creditors for advertising and promotion spends, raw materials, packing materials, creditors for capital purchases, amounts payable on account of consignment agency sales and liabilities to wholesalers for dedicated working capital retained.

Other liabilities amounting to Rs. 28,20.94 Lakhs include statutory dues for miscellaneous taxes and duties payable to various Government Agencies.

8. Net Working Capital

The Company had a negative Working Capital (Excluding Cash and Bank Balances) of Rs. 18,34.56 Lakhs as at December 31, 2003 mainly due to low debtors outstanding represented by efficient Debtors Management and lowering of trade stocks.

9. Provisions

Provision for Gratuity and accrued leave have been made in accordance with the actuarial valuation as at 31.12.2003.

10. Return on Capital Employed

Consequent to the reduction in Profits of the company the return on capital employed (average) during the year declined to 20.4 % from 27.4 % last year.

The percentage has been computed by dividing PBT by the average capital employed (shareholders' funds plus loan funds) during the year.

11. Debt Equity Ratio

Your Company had by October 2002 repaid all its loans taken to part finance its new state of the art plant at Sonapat and consequently has zero debt equity ratio.

MATERIAL DEVELOPMENTS ON HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT

Please refer to the Board of Directors Report on Human Resource Development.

The Company had 2738 number of permanent employees on its payroll as on 31.12.2003.

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.

Place : Gurgaon
Dated : January 23, 2004

For and on behalf of the Board
S. J. Scarff
Chairman

**TO THE MEMBERS OF GLAXOSMITHKLINE
CONSUMER HEALTHCARE LIMITED**

1. We have audited the attached Balance Sheet of GlaxoSmithKline Consumer Healthcare Limited, as at December 31, 2003, and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed there to, 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 have conducted our audit in accordance with 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 the 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 and issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the 'The Companies Act, 1956' of India (The 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - b) The fixed assets of the Company are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years, which in our opinion is a reasonable frequency. Pursuant to the programme, a physical verification of certain assets was carried out during the year and this revealed no material discrepancies.
 - ii) The fixed assets of the Company have not been revalued during the year. However, Patents and Trade Marks have been impaired at the year ended December 31, 2003 (Refer note 20 on Schedule 17).
 - iii) The stocks of finished goods, stores, spare parts and raw materials of the Company have been physically verified by the management during the year/at the year-end according to a phased programme normally so designed that each material item is physically verified at least once in a year and more often in appropriate cases.
 - iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - v) The discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.
 - vi) In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with normally accepted accounting principles in India and, is on the same basis as in the preceding year.
 - vii) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of section 370 of the Act, provisions of this section are not applicable to a company on or after 31 October, 1988.
 - viii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of section 370 of the Act, provisions of this section are not applicable to a company on or after 31 October, 1988.
 - ix) The parties to whom the loans or advances in the nature of loans have been given by the Company have generally been regular in repaying the principal amounts and paying interest as stipulated, wherever applicable.
 - x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials, including components, plant and machinery, equipment and similar assets and for the sale of goods.
 - xi) The Company has not purchased goods and materials or sold goods and materials aggregating Rs. 50,000/- or more in value from/to any of the parties listed in the register maintained under Section 301 of the Act. In our opinion, the consideration received for the sale of services aggregating more than Rs. 50,000/- in value from a party listed in the register maintained under Section 301 of the Act is reasonable and comparable to market prices.

- xii) The Company has a system of determining unserviceable or damaged stores, raw materials or finished goods on the basis of technical evaluation and on such basis adequate amounts have been written off such stocks in the accounts.
 - xiii) The Company has not accepted any deposits from the public.
 - xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap, where applicable and significant.
 - xv) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
 - xvi) On the basis of records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under Section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
 - xvii) The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
 - xviii) At the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
 - xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations and/or accepted business practices.
 - xx) The company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985 of India.
 - xxi) In respect of services rendered:
 - (a) The nature of services is such that it does not involve consumption of material and stores.
 - (b) Considering the nature of services rendered, it is not necessary to have a system of allocation of man-hours utilised to the relative jobs.
 - xxii) In respect of trading activities, there are no damaged goods in the possession of the Company as at December 31, 2003.
4. Further to our comments 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 have been prepared in compliance with the applicable accounting standards, issued by the Institute of Chartered Accountants of India, referred to in Section 211 (3C) of the Act;
 - (e) On the basis of written representations received from the directors, as on December 31, 2003 and taken on record by the Board of Directors, none of the directors of the Company is disqualified as on December 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and also 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, 2003;
 - (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 Cash Flow Statement, of the cash flows for the year ended on that date.

S. Berera
Partner

Membership No. F83826
For and on behalf of

Place: Gurgaon
Dated: January 23, 2004

Price Waterhouse
Chartered Accountants



BALANCE SHEET

AS AT DECEMBER 31, 2003

| | Schedule No. | As at December 31, 2003 (Rs. Lakhs) | As at December 31, 2002 (Rs. Lakhs) |
|--|-----------------|--|--|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 45,38.06 | 45,38.06 |
| Reserves and Surplus | 2 | 4,46,73.18 | 4,37,83.85 |
| | | <u>4,92,11.24</u> | <u>4,83,21.91</u> |
| DEFERRED TAX LIABILITIES (Net) [Schedule 17 (Notes 1(i) (b) and 17)] | | 28,16.21 | 35,63.06 |
| | | <u>28,16.21</u> | <u>35,63.06</u> |
| | | <u>5,20,27.45</u> | <u>5,18,84.97</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 3 | 4,85,86.19 | 5,12,80.11 |
| Less: Depreciation | | 1,62,30.73 | 1,22,70.33 |
| Net Block | | 3,23,55.46 | 3,90,09.78 |
| Capital Work in Progress | | 6,35.86 | 2,75.98 |
| | | <u>3,29,91.32</u> | <u>3,92,85.76</u> |
| INVESTMENTS | 4 | 0.05 | 0.05 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 5 | 92,33.47 | 86,08.28 |
| Sundry Debtors | 6 | 18,37.73 | 44,32.04 |
| Cash and Bank Balances | 7 | 2,03,79.39 | 99,78.90 |
| Other Current Assets | 8 | 4,53.79 | 8,47.82 |
| Loans and Advances | 9 | 43,97.59 | 54,75.97 |
| | | <u>3,63,01.97</u> | <u>2,93,43.01</u> |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | 10 | 1,69,11.10 | 1,69,92.31 |
| Provisions | 11 | 8,46.04 | 7,36.11 |
| | | <u>1,77,57.14</u> | <u>1,77,28.42</u> |
| Net Current Assets | | 1,85,44.83 | 1,16,14.59 |
| MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) Schedule 17 [Note 1(j) and 16] | | 4,91.25 | 9,84.57 |
| | | <u>4,91.25</u> | <u>9,84.57</u> |
| Notes to the Accounts | 17 | <u>5,20,27.45</u> | <u>5,18,84.97</u> |

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

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

S. BERERA
Partner
Membership No. F83826
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

S. J. SCARFF
Chairman

NICHOLAS J. MASSEY
Managing Director

G. K. CHAKRABORTY
ASHOK DAYAL
P. S. MUKHERJEE
Directors

Gurgaon
Dated : January 23, 2004

SURINDER KUMAR
Company Secretary

PROFIT AND LOSS ACCOUNT



FOR THE YEAR ENDED DECEMBER 31, 2003

| | Schedule No. | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|--|-----------------|---|---|
| INCOME | | | |
| Sales [Schedule 17 (Note 6)] | | 9,13,75.14 | 8,71,05.75 |
| Other Income | 12 | 19,42.67 | 14,10.62 |
| | | 9,33,17.81 | 8,85,16.37 |
| EXPENDITURE | | | |
| Consumption of Raw Materials | | 1,99,47.93 | 1,76,00.05 |
| Purchased Finished Goods | | 8,02.84 | 7,96.12 |
| Packing Material Expenses | | 87,46.23 | 78,51.65 |
| Employees' Cost | 13 | 91,30.95 | 90,38.20 |
| Excise Duty | 14 | 1,14,63.47 | 1,18,06.53 |
| Expenses | 15 | 2,91,87.47 | 2,57,44.14 |
| Depreciation | | | |
| - On Patents and Trade Marks | | 9,80.33 | 9,80.33 |
| - On Other Fixed Assets | | 35,78.12 | 25,71.55 |
| | | 45,58.45 | 35,51.88 |
| Adjustment due to (Increase)/Decrease in Stock of Finished Goods and Goods in Process | 16 | (4,77.25) | (5,43.41) |
| | | 8,33,60.09 | 7,58,45.16 |
| PROFIT BEFORE TAX | | | |
| | | 99,57.72 | 1,26,71.21 |
| Tax for the year - Current Tax | | (30,70.00) | (34,24.00) |
| - Deferred Tax | | 7,46.85 | (7,46.70) |
| [Schedule 17 (Notes 1(i) and 17)] | | | |
| | | 76,34.57 | 85,00.51 |
| PROFIT AFTER TAX | | | |
| APPROPRIATIONS: | | | |
| Dividend | | | |
| - First interim | | 14,97.58 | 14,97.57 |
| - Second interim | | 16,79.09 | 16,79.08 |
| Corporate Dividend Tax | | 4,07.01 | - |
| Transferred to General Reserve | | 40,50.89 | 53,23.86 |
| | | 76,34.57 | 85,00.51 |
| Earnings Per Share (Nominal value of Rs 10 each) | | | |
| Basic/Diluted (Rs.) [Schedule 17 (Note 19)] | | 16.82 | 18.73 |

Notes to the Accounts

17

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.

S. BERERA
Partner
Membership No. F83826
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

S. J. SCARFF
Chairman

NICHOLAS J. MASSEY
Managing Director

G. K. CHAKRABORTY
ASHOK DAYAL
P. S. MUKHERJEE
Directors

Gurgaon
Dated : January 23, 2004

SURINDER KUMAR
Company Secretary

FORMING PART OF THE ACCOUNTS

| | As at December 31, 2003 (Rs. Lakhs) | As at December 31, 2002 (Rs. Lakhs) |
|--|--|--|
| 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 | | |
| 4,53,80,621(Previous year 4,53,80,621) Equity Shares of Rs.10 each fully paid-up | <u>45,38.06</u> | <u>45,38.06</u> |
| Notes: | | |
| 1. 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. 2,77,60,539 Equity Shares of Rs.10 each were allotted as fully paid-up bonus shares by capitalisation of reserves Rs. 2710.02 lakhs and share premium Rs. 66.03 lakhs in the year 1995. | | |
| 3. 1,70,17,733 Equity Shares of Rs.10 each were allotted as fully paid-up bonus shares by capitalisation of reserves Rs.1701.77 lakhs in the year 1997. | | |
| 2. RESERVES AND SURPLUS | | |
| GENERAL RESERVE | | |
| As per last Balance Sheet | 4,37,83.85 | 3,96,03.71 |
| Transferred from Profit and Loss Account | 40,50.89 | 53,23.86 |
| Impairment charge of Patents and Trademarks as at December 31, 2003* | (31,61.56) | - |
| Transitional amortisation of Patents and Trade Marks as at January 1, 2002 | - | (11,43.72) |
| | <u>4,46,73.18</u> | <u>4,37,83.85</u> |

* Schedule 17 (Notes 20)

FORMING PART OF THE ACCOUNTS

3. FIXED ASSETS *

| | GROSS BLOCK | | | Cost as at December 31, 2003 (Rs. Lakhs) | DEPRECIATION | | | NET BLOCK | |
|--|---|--|---|---|---|---|---|---|--|
| | Cost as at January 1, 2003 (Rs. Lakhs) | Additions during the Year (Rs. Lakhs) | Deductions during the Year (Rs. Lakhs) | | Upto January 1, 2003 (Rs. Lakhs) | Charged/ Adjustments during the Year (Rs. Lakhs) | Deductions during the Year (Rs. Lakhs) | Upto December 31, 2003 (Rs. Lakhs) | As at December 31, 2003 (Rs. Lakhs) |
| Tangible Assets | | | | | | | | | |
| Land (Freehold) | 2,25.13 | - | - | 2,25.13 | - | - | - | 2,25.13 | 2,25.13 |
| Buildings**** | 83,31.28 | 34.85 | 14.15 | 83,51.98 | 6,13.57 | 2,52.55 | 8.90 | 8,57.22 | 74,94.76 |
| Plant & Machinery ** | 2,70,95.54 | 4,24.89 | 1,08.43 | 2,74,12.00 | 55,71.21 | 25,03.99 | 99.69 | 79,75.51 | 1,94,36.49 |
| Information Technology Equipment | 30,41.12 | 1,79.71 | 3,20.98 | 28,99.85 | 22,53.90 | 4,43.93 | 3,17.84 | 23,79.99 | 5,19.86 |
| Furniture & Fixtures | 19,67.31 | 2,72.04 | 1,06.96 | 21,32.39 | 6,45.06 | 2,07.57 | 73.61 | 7,79.02 | 13,53.37 |
| Motor Vehicles | 6,97.98 | 1,93.82 | 1,46.31 | 7,45.49 | 2,43.85 | 1,37.94 | 98.01 | 2,83.78 | 4,61.71 |
| Leasehold Improvements | - | 69.83 | - | 69.83 | - | 20.27 | - | 20.27 | 49.56 |
| Idle Plant and Machinery*** | 1,18.47 | - | 10.67 | 1,07.80 | 83.44 | 11.87 | - | 95.31 | 12.49 |
| Intangible Assets | | | | | | | | | |
| Patent and Trade Marks **** | 98,03.28 | - | 31,61.56 | 66,41.72 | 28,59.30 | 9,80.33 | - | 38,39.63 | 28,02.09 |
| | <u>5,12,80.11</u> | <u>11,75.14</u> | <u>38,69.06</u> | <u>4,85,86.19</u> | <u>1,22,70.33</u> | <u>45,58.45</u> | <u>5,98.05</u> | <u>1,62,30.73</u> | <u>3,23,55.46</u> |
| Previous Year | 2,48,38.38 | 2,74,62.49 | 10,20.76 | 5,12,80.11 | 84,54.56 | 47,14.65 | 8,98.88 | 1,22,70.33 | |
| Capital work in progress includes Capital Advances Rs. 25.19 Lakhs (Previous Year Rs. 60.49 Lakhs) | | | | | | | | | |
| | | | | | | | | <u>6,35.86</u> | <u>2,75.98</u> |
| | | | | | | | | <u>3,29,91.32</u> | <u>3,92,85.76</u> |

* Schedule 17 (Notes 1(b) and 20)

** Includes Rs 64.49 Lakhs 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.

*** Assets retired from active use and stated at Net Realisable Value.

**** Includes Dwelling Units valuing Rs 1,23.95 Lakhs (Previous Year Rs 1,23.95 Lakhs) and Patents and Trade Marks valuing Rs 66,41.72 Lakhs - Net of Impairment (Previous Year - Rs 98,03.28 Lakhs) for which registration is awaited

4. INVESTMENTS *

Long Term - Other Investments

Unquoted Government Securities at Cost
7 - Year National Savings Certificates
(Lodged with Government Authorities)

| As at December 31, 2003 (Rs. Lakhs) | As at December 31, 2002 (Rs. Lakhs) |
|--|--|
| 0.05 | 0.05 |
| <u>0.05</u> | <u>0.05</u> |

* Schedule 17 [Note 1(d)]

5. INVENTORIES *

At lower of Cost and Net Realisable Value

| | | |
|---|-----------------|-----------------|
| Raw materials [Includes Goods in Transit Rs. 14.60 lakhs (Previous year- Rs. 15.61 lakhs)] | 13,69.91 | 13,55.27 |
| Packing materials | 4,39.08 | 3,99.98 |
| Goods in process | 9,48.54 | 3,95.75 |
| Finished goods | 56,48.49 | 57,56.78 |
| Purchased finished goods | 41.58 | - |
| Stores and spare parts | 7,69.45 | 6,57.05 |
| Less: Provision for Obsolescence | (18.20) | - |
| By-products (at Net Realisable Value) | 34.62 | 43.45 |
| | <u>92,33.47</u> | <u>86,08.28</u> |

* Schedule 17 [Note1(e)]

FORMING PART OF THE ACCOUNTS

| | As at December 31, 2003 (Rs. Lakhs) | As at December 31, 2002 (Rs. Lakhs) |
|--|--|--|
| 6. SUNDRY DEBTORS | | |
| Over six months | | |
| Secured - Considered good | 24.24 | 9.13 |
| Unsecured - Considered good | 50.82 | 34.79 |
| Unsecured - Considered doubtful | 98.33 | 51.22 |
| Less: Provision for doubtful debts | (98.33) <u>75.06</u> | (51.22) <u>43.92</u> |
| Others | | |
| Secured - Considered good | 7,38.98 | 20,61.16 |
| Unsecured - Considered good | 10,23.69 | 23,26.96 |
| Unsecured - Considered doubtful | 69.11 | 71.54 |
| Less: Provision for doubtful debts | (69.11) <u>17,62.67</u> | (71.54) <u>43,88.12</u> |
| | <u><u>18,37.73</u></u> | <u><u>44,32.04</u></u> |
| 7. CASH AND BANK BALANCES | | |
| Cash and cheques in hand | 4.18 | 5.64 |
| With Scheduled Banks: | | |
| On Current accounts | 25,30.39 | 27,02.20 |
| [Net of book overdrafts -Rs. 3,09.74 lakhs (Previous year- Rs. 20.71 lakhs)] | | |
| On Dividend accounts | 17,93.72 | 11,19.96 |
| On Deposit accounts | 1,60,50.00 | 61,50.00 |
| With Post Office in Savings Bank Accounts (Lodged as security deposits) [Maximum amount during the year Rs. 1.10 lakhs (Previous year Rs. 1.10 lakhs)] | 1.10 | 1.10 |
| | <u><u>2,03,79.39</u></u> | <u><u>99,78.90</u></u> |
| 8. Other Current Assets | | |
| Accrued Interest | 1,44.33 | 27.25 |
| Others | 3,09.46 | 8,20.57 |
| | <u><u>4,53.79</u></u> | <u><u>8,47.82</u></u> |
| 9. LOANS AND ADVANCES | | |
| (Considered Good, unless otherwise specifically indicated) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| - Unsecured - Considered Good | 35,72.08 | |
| - Unsecured - Considered Doubtful | 29.72 | |
| Less Provision for doubtful advances | (29.72) <u>35,72.08</u> | 47,00.10 |
| - Secured | 3,12.99 | 3,30.71 |
| Deposits with excise authorities | 1,61.28 | 2,13.75 |
| Advance Tax, net of provisions | 3,51.24 | 2,31.41 |
| | <u><u>43,97.59</u></u> | <u><u>54,75.97</u></u> |
| Included in advances, amount due from Directors and an officer of the Company. | 0.00 | 19.85 |
| Maximum amount due during the year | 19.85 | 1,37.70 |

FORMING PART OF THE ACCOUNTS

| | As at December 31, 2003 (Rs. Lakhs) | As at December 31, 2002 (Rs. Lakhs) |
|--|--|--|
| 10. CURRENT LIABILITIES | | |
| Sundry creditors: | | |
| - Total outstanding dues of small scale industrial undertakings * | 1,40.98 | 2,24.70 |
| - Total outstanding dues of creditors other than small scale industrial undertakings | 1,20,57.02 | 1,28,50.67 |
| Other liabilities | 28,20.94 | 26,72.74 |
| Advances from customers | 98.44 | 1,83.40 |
| Unclaimed dividend | 1,14.63 | 1,12.51 |
| Second Interim dividend | 16,79.09 | 9,48.29 |
| | <u>1,69,11.10</u> | <u>1,69,92.31</u> |

*There are no amounts due and outstanding for more than 30 days.

11. PROVISIONS

| | | |
|-----------------|----------------|----------------|
| Gratuity * | 72.63 | 12.13 |
| Accrued leave * | 7,73.41 | 7,23.98 |
| | <u>8,46.04</u> | <u>7,36.11</u> |

* Schedule 17 [Note 1(g)]

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|----------------------------------|---|---|
| 12. OTHER INCOME | | |
| Scrap sales | 2,75.57 | 2,59.85 |
| Insurance and other claims | 89.88 | 1,05.99 |
| Miscellaneous income * | 6,37.01 | 7,29.72 |
| Release of accruals/refunds | 9,40.21 | 3,06.07 |
| Gain on disposal of fixed assets | - | 8.99 |
| | <u>19,42.67</u> | <u>14,10.62</u> |

* Schedule 17 (Note 10)

13 . EMPLOYEES' COST

| | | |
|---|-----------------|-----------------|
| Salaries, Wages and Bonus | 75,52.65 | 71,42.67 |
| Contribution to Provident and Other Funds | 7,90.89 | 13,90.10 |
| Welfare Expenses | 15,70.37 | 15,14.00 |
| Less : Recoveries made * | (7,82.96) | (10,08.57) |
| | <u>91,30.95</u> | <u>90,38.20</u> |

* Schedule 17 (Note 15)

FORMING PART OF THE ACCOUNTS

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|--|---|---|
| 14. EXCISE DUTY | | |
| Excise duty paid | 1,14,00.11 | 1,16,38.80 |
| Add : Excise Duty on Closing Stock | 9,11.82 | 8,48.46 |
| Less : Excise duty on Opening Stock | <u>(8,48.46)</u> | <u>(6,80.73)</u> |
| | <u>1,14,63.47</u> | <u>1,18,06.53</u> |
| 15. EXPENSES | | |
| Stores consumed | 93.44 | 99.01 |
| Conversion charges to third parties | 24,69.46 | 19,14.98 |
| Repairs - Building | 2,31.37 | 1,44.48 |
| - Machinery | 5,54.92 | 3,97.66 |
| - Others | 4,95.66 | 4,50.52 |
| Power and fuel | 23,51.87 | 19,82.05 |
| Rent | 10,27.71 | 8,98.20 |
| Rates and taxes | 17,21.62 | 16,45.86 |
| Insurance | 7,87.56 | 6,06.36 |
| Travelling expenses | 10,49.94 | 12,14.43 |
| Carriage and freight | 36,21.78 | 32,43.23 |
| Service charges paid to selling agents | 10.36 | 16.66 |
| Discounts - Sales | 3,60.98 | 3,25.02 |
| Donations | - | 9.05 |
| Advertising and promotions* | 97,45.47 | 85,91.05 |
| Royalty | 30,37.65 | 28,94.78 |
| Loss on sale of Fixed Assets | 8.23 | - |
| Exchange fluctuations | 37.89 | 10.98 |
| Development and Scientific research | 32.28 | 24.44 |
| Interest paid - others | 4,99.31 | 7,49.72 |
| Less : Interest Income | | |
| [Tax Deducted at Source- Rs 76.85 Lakhs (Previous Year Rs 24.12 Lakhs)] | | |
| - Loans/Advances | (23.08) | (44.93) |
| - Bank Deposits | (4,93.73) | (76.36) |
| - Income tax refunds | - | (3,45.91) |
| - Others | <u>(23.77)</u> | <u>(44.67)</u> |
| Amortisation ** | 4,93.32 | 4,93.32 |
| Provision for Doubtful Debts and advances | 1,37.34 | 1,15.32 |
| Diminution in the value of Fixed Assets | 10.67 | - |
| Provision for Obsolescence of Spares | 18.20 | - |
| Spares Written off | 23.71 | - |
| Other general expenses | 25,37.31 | 25,44.48 |
| Less : Recoveries made *** | <u>(16,30.00)</u> | <u>(21,15.59)</u> |
| | <u>2,91,87.47</u> | <u>2,57,44.14</u> |

* Schedule 17 (Note 10)

** Schedule 17 [Notes 1(j) and 16]

*** Schedule 17 (Note 15)

FORMING PART OF THE ACCOUNTS

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) | |
|--|---|---|----------|
| 16. ADJUSTMENT DUE TO (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND GOODS IN PROCESS | | | |
| Opening Stock | | | |
| Finished Goods | 57,56.78 | 50,43.17 | |
| Goods in Process | 3,95.75 | 4,10.20 | |
| By-products | 43.45 | 1,99.20 | 56,52.57 |
| | 61,95.98 | 1,99.20 | |
| Less: Closing Stock | | | |
| Finished Goods | 56,48.49 | 57,56.78 | |
| Goods in Process | 9,48.54 | 3,95.75 | |
| Purchased Finished Goods | 41.58 | - | |
| By-products | 34.62 | 43.45 | 61,95.98 |
| | 66,73.23 | 43.45 | |
| Net (Increase)/Decrease | (4,77.25) | (5,43.41) | |

17. NOTES TO THE ACCOUNTS:

1. Significant Accounting Policies :

a. Accounting Convention

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

b. Fixed Assets and Depreciation

All tangible fixed assets are stated at cost less accumulated depreciation. Cost includes all incidental expenditure net of MODVAT/CENVAT wherever applicable. The Company follows the Straight Line Method of charging depreciation, on all its tangible fixed assets, on pro-rata basis. The Company has provided depreciation at higher of the rates determined by the management or those specified in Schedule XIV to the Companies Act, 1956. The depreciation rates which are different from the principal rates specified in Schedule XIV to the Companies Act, 1956 are as follows :-

(Rates in Percentages)

| | Assets acquired after December 31, 1994 | Assets acquired after April 30, 1986 but upto December 31, 1994 | Assets acquired after March 31, 1983 but upto April 30, 1986 | Assets acquired upto March 31, 1983 |
|----------------------------------|---|--|---|---|
| Buildings - Factory | - | - | 3.5 | 2/3.5/5.5 |
| - Non - factory | 2 | 2 | 2 | 2/2.5 |
| - Tubewells | 10 | 10 | 10 | 10/100 |
| Plant and Machinery | | | | |
| Depreciated at | | | | |
| - Triple Shift | 12.5 | 12.5 | - | - |
| - Double Shift | 10/12.5/14.28 | 10/12.5 | - | - |
| - Single Shift | 10/12.5/14.28 | 10/12.5 | - | - |
| Information Technology Equipment | 25/33.33 | 25 | 25 | 25 |
| Motor Vehicles | 14.28/20 | 14.28/20 | 14.28/20 | 14.28/20/25 |
| Furniture and Fixtures | 10/20 | 10/20 | 10/20 | 10/20 |

FORMING PART OF THE ACCOUNTS

Patents and Trade Marks are accounted at their cost of acquisition and amortised 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.

c. Foreign Currency Transactions

Transactions in Foreign Exchange other than those covered by forward contracts are accounted for at the exchange rates prevailing on the date of transactions. The exchange differences arising out of the settlements, other than those on liabilities relating to fixed assets are dealt with in the Profit and Loss Account. Foreign currency assets and liabilities other than those covered by forward contracts are revalued at the year end rates. Resultant gains or losses are recognised in the Profit and Loss Account except exchange differences arising on settlement and/or translation of foreign currency liabilities on acquisition of fixed assets which are adjusted against the carrying costs of corresponding fixed assets.

d. Investments

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

e. Inventories

Inventories are valued at lower of cost and net realisable value, except for ghee, a by-product, which is valued at selling price.

Cost is determined on the basis of the weighted average method. It includes all the appropriate allocable overheads and excise duty wherever applicable.

f. Research and Development

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

g. Retirement Benefits

The Company has various schemes of retirement benefits namely Provident, Superannuation and Gratuity Funds recognised by the Income Tax Authorities. These Funds are administered through Trustees and the Company's contributions thereto are charged to revenue every year. Contribution to Employees Pension Scheme, 1995 are deposited with respective authorities and are charged to revenue every year. Accruals are made for leave encashment and gratuity on the basis of actuarial valuation done at the year end.

h. Revenue Recognition

Sales comprise of value of sale of goods, excluding sales tax but including excise duty. Sales are recognised at the point of despatch to the customers. Interest income and Insurance claims are recognised on accrual basis.

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 year Charge

Provision for taxation for the Company's financial year ended December 31, 2003 has been determined based on the results for 3 months ended March 31, 2003 (Assessment Year 2003-2004) and for the 9 months ended December 31, 2003 (Assessment Year 2004-2005). The ultimate liability for the Assessment Year 2004-2005, however, will be determined on the total income of the Company for the year ending on March 31, 2004.

FORMING PART OF THE ACCOUNTS

The 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.

b) Deferred Tax

The Company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income-tax provision.

j. Miscellaneous Expenditure- Deferred Revenue Expense

Revenue expenditure incurred, the benefit of which extends over a period of time are deferred and amortised over a period of three to five years commencing from the year the resource/facility gets fully functional in an integral way and the corresponding benefit starts accruing to the business.

k. Interest on Borrowings

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 capitalised till the date of commencement of commercial use of the asset.

l. Leases

Lease rental in respect of asset taken on cancelable operating leases are charged to the Profit and Loss Account on accrual basis.

| | As at December 31, 2003 | As at December 31, 2002 |
|--|---|------------------------------------|
| | (Rs. Lakhs) | (Rs. Lakhs) |
| 2. a) Estimated amount of Contracts remaining to be executed on capital account and not provided for | 1,39.33 | 1,65.09 |
| b) Contingent Liabilities not provided for : | | |
| - In respect of guarantees given by banks | - | 50.00 |
| | Year ended December 31, 2003 | Year ended December 31, 2002 |
| | (Rs. Lakhs) | (Rs. Lakhs) |
| 3. Managerial Remuneration | | |
| Amount paid/payable to Directors: | | |
| Salaries and allowances | 1,68.90 | 2,39.05 |
| Contribution to Provident and Superannuation Funds | 28.38 | 33.85 |
| Value of other perquisites | 44.98 | 35.53 |
| Directors' sitting fees | 1.65 | 1.20 |
| Commission to non-executive directors | 10.00 | 11.67 |
| | 2,53.91 | 3,21.30 |

NOTE :

1. The contribution to Gratuity funds and leave encashment have been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity funds and leave encashment have not been considered in the above computation.
2. Appointment of a Director and remuneration of Rs. 10.90 lakhs (previous year Rs. 8.27 lakhs including commission) is awaiting shareholders' approval.

FORMING PART OF THE ACCOUNTS

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|--|---|---|
| Computation of net profit under Section 198/349 of the Companies Act, 1956, and calculation of commission payable to non-executive directors | | |
| Profit before Taxation | 99,57.72 | 1,26,71.21 |
| Add : Director's Remuneration | 2,42.26 | 3,08.43 |
| Directors' sitting fees | 1.65 | 1.20 |
| Commission to non-executive directors | 10.00 | 11.67 |
| Provision for Doubtful Debts and Advances | 1,37.34 | 1,15.31 |
| Provision for Obsolescence | 18.20 | - |
| Less: Profit/(Loss) on sale of Fixed assets (Net) | (8.23) | 8.99 |
| Net Profit under section 198/349 on which commission is payable | 1,03,75.40 | 1,30,98.83 |
| Commission payable to non-executive directors: | | |
| Maximum allowed as per Companies Act, 1956 at 1% | 1,03.75 | 1,30.98 |
| Restricted by the Board of Directors to | 10.00 | 11.67 |

NOTE:

The Company depreciates 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.

| | | | |
|----|---|----------|----------|
| 4. | Provisions and/or payments in respect of Auditors' Remuneration | | |
| | (i) Audit fee | 10.00 | 9.00 |
| | (ii) Tax audit fee | 8.00 | 6.50 |
| | (iii) In other capacity | 12.95 | 8.52 |
| | (iv) Out-of-pocket expenses | 5.63 | 7.13 |
| | | 36.58 | 31.15 |
| 5. | Expenditure indicated below allocated to other Revenue Accounts | | |
| | Consumption of stores and spares | 15,04.15 | 10,50.67 |
| | Insurance | 2,47.01 | 2,32.49 |
| | Development and scientific research | 4,35.72 | 4,29.79 |

| 6. | Turnover: | Unit | Year ended December 31, 2003 | | Year ended December 31, 2002 | |
|----|--|------|---------------------------------|----------------------|---------------------------------|----------------------|
| | | | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) |
| | Class of Goods: | | | | | |
| | (i) Malted Milk Food/Malted Food/ Malt Based Food | DOZS | 92,82,142 | 8,63,43.04 | 87,79,833 | 8,18,10.52 |
| | (ii) Biscuits | DOZS | 53,07,240 | 33,84.80 | 53,18,333 | 34,70.45 |
| | (iii) Ghee (By Product) | MT | 772 | 9,00.46 | 1,557 | 16,73.39 |
| | (iv) Cream (By Product) | MT | 10 | 9.16 | 119 | 98.98 |
| | (v) Milk | MT | 1,190 | 1,34.77 | 529 | 52.41 |
| | (vi) Others | | | 6,02.91 | | - |
| | | | | 9,13,75.14 | | 8,71,05.75 |

7. Details of Purchased Finished goods:

| | | Opening stock | | | | Purchases | | | | Closing Stock | | | |
|----------------------------------|----|--------------------------|----------|--------------------------|----------|---------------------------------|----------|---------------------------------|----------|----------------------------|----------|----------------------------|----------|
| | | As on January 1, 2003 | | As on January 1, 2002 | | Year Ended December 31, 2003 | | Year Ended December 31, 2002 | | As on December 31, 2003 | | As on December 31, 2002 | |
| | | Unit | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) | Quantity |
| Malted Milk Food/ Malted Food | MT | Nil | Nil | Nil | Nil | 1360.20 | 8,02.84 | 1404.50 | 7,96.12 | 70.00 | 41.58 | Nil | Nil |
| | | Nil | Nil | Nil | Nil | 8,02.84 | 8,02.84 | 7,96.12 | 7,96.12 | 41.58 | 41.58 | Nil | Nil |

FORMING PART OF THE ACCOUNTS

| | Unit | Year ended December 31, 2003 | | Year ended December 31, 2002 | |
|---|------|---------------------------------|----------------------|---------------------------------|----------------------|
| | | Quantity | Value (Rs. Lakhs) | Quantity | Value (Rs. Lakhs) |
| 8. Raw Materials Consumed (Refer Note 10): (Includes goods processed by third parties) | | | | | |
| Milk Powder | MT | 6,155 | 49,10.42 | 6,108 | 46,08.93 |
| Milk Fluid | MT | 53,884 | 57,30.78 | 52,051 | 55,42.93 |
| Malt and Malt Extract | MT | 33,729 | 42,45.49 | 32,181 | 37,38.60 |
| Flour (Wheat) | MT | 17,881 | 16,50.87 | 19,110 | 16,93.93 |
| Others | | | 39,93.94 | | 30,70.19 |
| | | | <u>2,05,31.50</u> | | <u>1,86,54.58</u> |

| | | Year ended December 31, 2003 | | Year ended December 31, 2002 | |
|---|--|---------------------------------|----------------------|---------------------------------|----------------------|
| | | Percentage | Value (Rs. Lakhs) | Percentage | Value (Rs. Lakhs) |
| 9. Imported and Indigenous Raw Materials, Spare Parts and Components consumed: | | | | | |
| (a) Raw Materials (Refer Note 10): | | | | | |
| Imported | | 0.00 | 0.00 | 0.00 | 0.00 |
| Indigenous | | 100.00 | 2,05,31.50 | 100.00 | 1,86,54.58 |
| | | <u>100.00</u> | <u>2,05,31.50</u> | <u>100.00</u> | <u>1,86,54.58</u> |
| (b) Spare Parts and Components consumed: | | | | | |
| Imported | | 2.50 | 39.55 | 0.70 | 8.18 |
| Indigenous | | 97.50 | 15,58.04 | 99.30 | 11,41.50 |
| | | <u>100.00</u> | <u>15,97.59</u> | <u>100.00</u> | <u>11,49.68</u> |

10. Raw Materials consumed as shown under Note 8 and 9 (a) above also includes **Rs. 4,97.63 lakhs** (Previous year Rs. 7,11.04 lakhs) being the cost of materials consumed on samples used for promotional purposes included under Advertising and Promotion expenses (schedule 15) and **Rs. 85.94 lakhs** (Previous Year- Rs. 3,43.49 lakhs) being the cost of stocks replaced which has been correspondingly netted off from the miscellaneous income reflected under the heading of Other Income. (Schedule 12).

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|--|---|---|
| 11. Value of Imports calculated on C.I.F. basis: | | |
| Capital Goods | 19.89 | 48.22 |
| Spares | 15.52 | 53.87 |
| Software | 4.94 | 1.03 |
| | <u>40.35</u> | <u>1,03.12</u> |
| 12. Expenditure in Foreign Currency on account of: (Cash basis) | | |
| Travelling | 27.29 | 25.31 |
| Advertisement/Promotions | 1,64.31 | 84.69 |
| Others | 11.05 | 47.28 |
| | <u>2,02.65</u> | <u>1,57.28</u> |

FORMING PART OF THE ACCOUNTS

| | Year ended December 31, 2003 | Year ended December 31, 2002 |
|---|---------------------------------|---------------------------------|
| | (Rs. Lakhs) | (Rs. Lakhs) |
| 13. Amount remitted in Foreign Currencies 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 remitted, - Current Year | 5,99.02 | 10,80.06 |
| 14. Earnings in Foreign Exchange: | | |
| Value of export of goods on F.O.B. basis [Including sales to Nepal and Bhutan] | 39,84.56 | 41,00.32 |
| Rs. 18,73.08 lakhs (Previous year Rs. 16,86.29 lakhs)] | | |
| 15. During the year, the company shared the services of some of its employees and facilities with two other companies. Consequently, the value of share of costs attributable to that company calculated in accordance with the service agreement based on the recommendations of an independent study, has been recovered. | | |
| 16. Miscellaneous expenditure includes Rs. 3,76.45 lakhs (Previous year Rs. 7,52.92 lakhs) and Rs. 1,14.80 lakhs (Previous year Rs. 2,31.65 lakhs) on account of implementation of business processes/systems and renovation/ interior decoration at one of its office premises respectively. The details are given below | | |

| | Year ended December 31, 2003 | Year ended December 31, 2002 |
|------------------|---------------------------------|---------------------------------|
| | (Rs. Lakhs) | (Rs. Lakhs) |
| Opening Balance | 9,84.57 | 14,77.89 |
| Less : Amortised | (4,93.32) | (4,93.32) |
| Total | 4,91.25 | 9,84.57 |

17. The Company estimates the deferred tax charge/(credit) using the 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. Lakhs) |
|---|---------------------------|---|---------------------------|
| Provision for Deferred Tax | Opening As at 01.01.03 | Charge/(Credit)/ Movements/ during the year | Closing As at 31.12.03 |
| Depreciation* | 39,78.35 | (5,37.63) | 34,40.72 |
| Expenses on office renovation / interior decoration | 85.13 | (43.94) | 41.19 |
| Total Deferred Tax Liabilities (A) | 40,63.48 | (5,81.57) | 34,81.91 |
| Section 43B Disallowance | (3,12.81) | (59.07) | (3,71.88) |
| VRS Payment | (1,42.50) | (84.72) | (2,27.22) |
| Provision For Doubtful Debts | (45.11) | (14.96) | (60.07) |
| Others | - | (6.53) | (6.53) |
| Total Deferred Tax Asset (B) | (5,00.42) | (1,65.28) | (6,65.70) |
| Net deferred tax liability (A) – (B) | 35,63.06 | (7,46.85) | 28,16.21 |

*Includes deferred tax benefit amounting to Rs. 11,34.21 Lakhs on account of Impairment of Patents and TradeMarks.

FORMING PART OF THE ACCOUNTS

18. Segmental Reporting:

The Company is focussed in the business segment of Nutritionals in India. Therefore there is no reportable segment as per the Provisions of Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

19. Earnings Per Share (EPS) – The numerator and denominator used to calculate Basic and Diluted Earnings per Share:

| | Year ended December 31, 2003 | Year ended December 31, 2002 |
|--|---|------------------------------------|
| - Profit attributable to the Equity Shareholders (Rs.)- (A) | 76,34,57,241 | 85,00,51,262 |
| - Basic/ Weighted average number of Equity Shares outstanding during the year- (B) | 4,53,80,621 | 4,53,80,621 |
| - Nominal value of Equity Shares (Rs.) | 10.00 | 10.00 |
| - Basic/ Diluted Earnings per Share (Rs.) – (A)/(B) | 16.82 | 18.73 |

20. In line with good accounting practice and in pursuance with Accounting Standard 28 on 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the Company has reviewed the future earnings of all its Cash Generating Units. Basis this, the Company impaired the valuation of Viva/Maltova brands acquired in the year 2000 capitalized under Patents and Trademarks. The carrying amount of the said intangible assets as at the end of the year exceeded the future recoverable amount which is the value in use of the said intangible assets. The future earnings have been discounted at 8%. As a result of this impairment, Patents and Trademarks are being re-stated at their estimated recoverable amount of Rs 2802.09 lacs as against Rs 5963.65 lacs. The impairment charge amounting to Rs 3161.56 lacs (to bring down the intangible assets to their true value) has been adjusted by the Company from opening General Reserves in accordance with the recommendation in the aforementioned Accounting Standard. Consequently the deferred tax benefit of Rs 1134.21 Lakhs has been recognised in the Profit and Loss Account.

21. The Company has an arrangement for a working capital facility with a consortium of scheduled banks, whereby it has secured by way of hypothecation of all the current assets of the Company, namely, stocks of raw materials, goods in process, semi finished & finished goods, stores and spares, bills receivable, and book debts and all other moveables both present and future. However, there are no loans, secured or unsecured, that are outstanding as at the year end.

22. Class of Goods

| | ANNUAL CAPACITY | | | | ACTUAL PRODUCTION | | STOCK OF GOODS PRODUCED | | | | | | | | |
|--|--|-----------|-----------------|-----------|-------------------|------------|-------------------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|---------|
| | Licensed plus permitted Liberalisation | | Installed | | Year Ended | Year Ended | OPENING | | | | CLOSING | | | | |
| | 31.12.03 | 31.12.02 | 31.12.03 | 31.12.02 | 31.12.03 | 31.12.02* | As on 01.01.03 | | As on 01.01.02 | | As on 31.12.03 | | As on 31.12.02 | | |
| Qty MT | Qty MT | Qty MT | Qty MT | Qty MT | Qty MT | Qty MT | Qty MT | Value Rs. Lakhs | Qty MT | Value Rs. Lakhs | Qty MT | Value Rs. Lakhs | Qty MT | Value Rs. Lakhs | |
| 1. MALT BASED FOODS/ MALTED FOODS | 91100 | 91100 | 83983 | 83983 | 46060 | 47058 | 6963 | 49,41.90 | 7351 | 44,50.11 | 5866 | 46,98.76 | 6963 | 49,41.90 | |
| 2. MILKOSE BABY FOODS | 228 | 228 | } 1440 } | 1440 | - | 65 | - | - | - | - | - | - | - | - | |
| 3. POWDERED MILK | 3528 | 3528 | | - | - | 451 | 409 | 97 | 1,06.54 | 78 | 77.70 | 72 | 90.88 | 97 | 1,06.54 |
| 4. PROTEIN RICH FOODS | 1000 | 1000 | | - | - | 740 | 1556 | 41 | 43.45 | 201 | 1,99.20 | 27 | 34.62 | 41 | 43.45 |
| 5. GHEE AND BUTTER | 6000 | 6000 | 3076 | 3076 | 7013 | 7115 | 305 | 1,27.69 | 206 | 89.33 | 432 | 1,80.77 | 305 | 1,27.69 | |
| 6. BISCUITS | | | | | | | | | | | | | | | |
| 7. MALT BASED FOODS/ MALTED FOODS | | | | | 7882 | 5240 | 827 | 5,80.65 | 635 | 4,26.03 | 927 | 6,78.08 | 827 | 5,80.65 | |
| | | | | | | | | 58,00.23 | | 52,42.37 | | 56,83.11 | | 58,00.23 | |

* Does not include Trial Production.

Notes :

1. The installed capacities and the permitted liberalisation of licensed capacities are as per certificates given by the Vice President - Operations and not verified by the Auditors, being a technical matter.
2. Production figures are net of captive consumption.
3. Production capacity listed under Serial No.1 , 3 , 4 & 5 above 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. Capacity of 228 MT listed under Serial No.2 and capacity of 528 MT included under Serial No. 3 pertains to licences granted under the Industries (Development and Regulation) Act, 1951.
4. The products under Serial No. 2 to 4 are manufactured in an integrated plant and, therefore, installed capacity can not be given separately.
5. The Products listed under Serial No. 6 & 7 are processed by third parties.

FORMING PART OF THE ACCOUNTS

23. 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 balances with them as identified and certified by the management are given below :

A Holding Company

Horlicks Ltd., which is a subsidiary of GlaxoSmithKline Plc, U.K , holds 40% of equity shares of the Company.

B Other related parties in GSK group where common control exists.

- | | |
|--|------------------------------------|
| a. GlaxoSmithKline Asia Private Limited | i. GlaxoSmithKline Singapore |
| b. GlaxoSmithKline Pharmaceuticals Limited | m. GSKCH-L.P. |
| c. GlaxoSmithKline Manila | n. China SBT |
| d. GlaxoSmithKline Mauritius | o. Burroughs Wellcome (India) Ltd. |
| e. GlaxoSmithKline Nigeria | p. SB Gulf – Qatar |
| f. GlaxoSmithKline Malaysia | q. SB Gulf – Bahrain |
| g. GlaxoSmithKline Mackwoods (Sri Lanka) | r. SB Gulf – Oman |
| h. GlaxoSmithKline Exports,U.K. | s. SB Gulf – Dubai |
| i. GlaxoSmithKline Trinidad | t. SB Gulf – Abu Dhabi |
| j. GlaxoSmithKline Jamaica | u. SB Gulf – Kuwait |
| k. SB Exports-UK | v. GSK Hong Kong |

C Trusts under Control of the Company

- a. Senior Staff Gratuity Fund
- b. Employees Gratuity Fund
- c. Provident Fund
- d. Indian Senior Executives Superannuation Fund (Scheme)

D Directors/Key Managerial Personnel and their relatives

Directors/Key Managerial Personnel

- a. Nicholas.J.Massey
- b. A .Chatterjee
- c. G. K. Chakraborty
- d. P. S. Mukherjee
- e. P. Dwarakanath
- f. R. Subbarayan
- g. C .H. Lambert
- h. Dave Allen

Relatives of Directors

- i. Urmi Chatterjee, wife of A. Chatterjee
- j. Minoti Mukherjee, wife of P. S .Mukherjee
- k. Rajat Mukherjee, son of P. S. Mukherjee
- l. P. Usha Rani, wife of P. Dwarakanath
- m. Raji Subbarayan, wife of R. Subbarayan
- n. Kamla Subbarayan, daughter of R. Subbarayan

THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS (Rs. Lakhs)

| Particulars | Year ending December 31, 2003 | | | | | Year ending December 31, 2002 | | | | |
|--|-------------------------------|--------------------------------|--|----------|-----------|-------------------------------|--------------------------------|--|----------|-----------|
| | Holding Company | Companies under common control | Directors/relatives and Key Managerial Personnel | Trust | Total | Holding Company | Companies under common control | Directors/relatives and Key Managerial Personnel | Trust | Total |
| Sale of goods (Exports) | - | 1,045.13 | - | - | 1,045.13 | - | 1,592.84 | - | - | 1,592.84 |
| Consignment Sales (Net) | - | 13,899.61 | - | - | 13,899.61 | - | 12,267.18 | - | - | 12,267.18 |
| Fixed assets sold | - | - | 0.56 | - | 0.56 | - | 47.59 | - | - | 47.59 |
| Fixed assets purchased | - | 10.50 | - | - | 10.50 | - | - | - | - | - |
| Rendering of services (Cross Charge Recovered) | - | 2,427.45 | - | - | 2,427.45 | - | 3,047.15 | - | - | 3,047.15 |
| Shared Services | - | 10.44 | - | - | 10.44 | - | 11.22 | - | - | 11.22 |
| Reimbursement for services rendered | 114.87 | 1,389.93 | - | - | 1,504.80 | 41.84 | 1,610.70 | - | - | 1,652.54 |
| Reimbursement of expenses | 28.80 | 3.21 | 0.19 | - | 32.20 | - | - | - | - | - |
| Agency arrangements (Selling Commission Income) | - | 266.51 | - | - | 266.51 | - | 249.49 | - | - | 249.49 |
| Rent paid | - | 123.40 | 0.24 | - | 123.64 | - | 123.40 | 2.90 | - | 126.30 |
| Rent received | - | 10.97 | - | - | 10.97 | - | 10.36 | - | - | 10.36 |
| Licence agreements (Royalty Paid) | - | 3,037.65 | - | - | 3,037.65 | - | 2,894.78 | - | - | 2,894.78 |
| Dividend declared | 1,270.66 | - | - | - | 1,270.66 | 1,270.66 | - | - | - | 1,270.66 |
| Interest Received | - | 23.08 | 0.86 | - | 23.94 | - | 44.93 | 3.45 | - | 48.38 |
| Interest Paid | - | - | - | - | - | - | 510.59 | - | - | 510.59 |
| Loans given | - | - | - | - | - | - | - | - | 4.20 | 4.20 |
| Loans Repaid | - | - | - | - | - | - | 7,500.00 | - | - | 7,500.00 |
| Loans Received back | - | - | 0.25 | - | 0.25 | - | 900.00 | 16.56 | - | 916.56 |
| Remuneration paid | - | - | 320.12 | - | 320.12 | - | - | 346.71 | - | 346.71 |
| Annual Contribution made by the company | - | - | - | 1,649.45 | 1,649.45 | - | - | - | 2,121.19 | 2,121.19 |
| Advances made to Trusts on account of settlement & investments | - | - | - | 1,490.44 | 1,490.44 | - | - | - | 1,389.37 | 1,389.37 |
| Recoveries made from Trusts on account of settlement & investments | - | - | - | 1,346.07 | 1,346.07 | - | 1.35 | - | 1,248.81 | 1,250.16 |
| Annual Subscription | - | - | - | - | - | - | - | - | 2.00 | 2.00 |
| Payment for Community Development | - | - | - | - | - | - | - | - | 1.11 | 1.11 |
| Free Promotional samples received* | - | * | - | - | - | - | * | - | - | - |
| Balances as at 31.12.2003 | | | | | | | | | | |
| Receivables | 65.53 | 207.19 | - | - | 272.72 | 41.84 | 428.81 | 19.75 | - | 490.40 |
| Payables | 671.63 | 952.93 | - | 257.87 | 1,882.43 | - | 1,634.42 | - | 198.67 | 1,833.09 |

* Denotes free promotional samples given to one of the Companies under common control.

24. The previous year's figures have been regrouped wherever necessary, to conform to this year's classification.

CASH FLOW STATEMENT



FOR THE YEAR ENDED 31ST DECEMBER, 2003

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| PROFIT BEFORE TAX | 99,57.72 | 1,26,71.21 |
| Add : | | |
| Depreciation | | |
| - On Patents and Trade Marks | 9,80.33 | 9,80.33 |
| - On Other Fixed Assets | 35,78.12 | 25,71.55 |
| Amortisation | 4,93.32 | 4,93.32 |
| Diminuation in the value of Fixed Assets | 10.67 | - |
| Provision For Doubtful Debts | 1,07.61 | 1,15.31 |
| Provision For Doubtful Advances | 29.72 | - |
| Provision for Obsolescence of Spares | 18.20 | - |
| Spares Written off | 23.71 | - |
| Interest Expenses | 4,99.31 | 7,49.72 |
| Investments W/O | - | 0.02 |
| Loss on Disposal of Fixed Assets | 8.23 | - |
| Less : | | |
| Interest Income | 5,40.58 | 5,11.87 |
| Release of accruals / refunds | 9,40.21 | 3,06.07 |
| Exchange Fluctuation Gain/ (Loss) (Unrealised) | 0.80 | (5.61) |
| Gain on Disposal of Fixed Assets | - | 8.99 |
| Operating Profit Before Working Capital Changes | 1,42,25.35 | 1,67,60.14 |
| Add/(Less): (Increase)/Decrease in Current Assets | | |
| Sundry Debtors | 24,86.49 | 14,21.86 |
| Loans & Advances | 11,39.76 | (2,92.71) |
| Other Current Assets | 5,11.11 | 15,35.04 |
| Inventories | (6,67.10) | (8,60.58) |
| Add/(Less): Increase/(Decrease) in Current Liabilities & Provisions | | |
| Current Liabilities & Provisions | 39.69 | 10,44.70 |
| Cash Generated from Operations | 1,77,35.30 | 1,96,08.45 |
| Less: Income Tax paid (Net) | 31,89.83 | 43,79.90 |
| Net Cash from Operating Activities | 1,45,45.47 | 1,52,28.55 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed Assets: | | |
| - On Other Fixed Assets | (13,20.92) | (38,51.67) |
| Sale of Fixed Assets | 90.55 | 1,30.87 |
| Interest Received | 4,23.50 | 5,03.65 |
| Loan to a company | - | 9,00.00 |
| Net Cash from Investing Activities | (8,06.87) | (23,17.15) |



CASH FLOW STATEMENT

| | Year ended December 31, 2003 (Rs. Lakhs) | Year ended December 31, 2002 (Rs. Lakhs) |
|---|---|---|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long Term Borrowings | - | (75,00.00) |
| Short Term Borrowings | - | (66.52) |
| Interest Paid | (4,87.35) | (7,35.41) |
| Dividends Paid | (24,43.75) | (32,21.36) |
| Dividends Tax Paid | (4,07.01) | - |
| Net cash from Financing Activities | (33,38.11) | (1,15,23.29) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>1,04,00.49</u> | <u>13,88.11</u> |
| Cash and Cash Equivalents at the beginning of the year | | |
| Cash and Bank Balances | 99,78.90 | 85,90.79 |
| | <u>99,78.90</u> | <u>85,90.79</u> |
| Cash and Cash Equivalents at the end of the year | | |
| Cash and Bank Balances | 20,379.39 | 99,78.90 |
| | <u>2,03,79.39</u> | <u>99,78.90</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | <u>10,400.49</u> | <u>1,388.11</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 issued by ICAI.
2. Cash and Cash equivalents include balances with Scheduled Banks on Dividend accounts - Rs 1793.72 Lakhs which are not available for use by the company.
3. 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.

Notes to Accounts (Schedule 17) forms an integral part of Cash Flow Statement.

S. BERERA
Partner
Membership No. F83826
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

S.J. SCARFF
Chairman

NICHOLAS J. MASSEY
Managing Director

G. K. CHAKRABORTY
ASHOK DAYAL
P.S. MUKHERJEE
Directors

Gurgaon
Dated : January 23, 2004

SURINDER KUMAR
Company Secretary