



**Maximizing **access** to medicines**  
**INNOVATION. CAPABILITIES. REACH.**

GlaxoSmithKline Pharmaceuticals Limited  
Annual Report for the year ended 31st December 2012

# a **word** from the **Managing Director**



GSK worldwide has been selected as a leading company on the Access to Medicine Index (ATM) as analyzed by the Access to Medicine Foundation, an international not-for-profit organization. The ATM index provides an independent assessment of company efforts to improve access to medicines. Millions of people do not have access to medicines and the Index gives an insight into what the pharmaceutical companies are doing to improve the situation. Taking inspiration and support from the parent organization, your company has also been taking a number of steps to improve access to its medicines in India. This will become clear to you as you glance through the following pages.

Your company has had limited presence in many important therapeutic areas such as life saving cancer drugs, cardiology and preventive vaccines. Over the past few years your company has taken a number of steps to correct this and has now become the market leader in vaccines. Oncology drugs have been launched, priced appropriately as per the tiered pricing policy. This is timely as the government intends to invest significant sums of money in dealing with non communicable diseases (NCD) in the ensuing Five year plan.

Many state governments have unveiled plans to provide free medicines through government hospitals which would be procured through tenders. To enable access, your company constituted a tender team a couple of years ago and GSK's participation in government tenders will now help provide access to its medicines to this set of patients.

Being mindful of the need for healthcare in rural areas, your company launched a rural initiative, REACH, again with the intention of making its medicines as widely available as possible. Again this is timely, as recently the government has recognized the need to build capacity in this area and announced intentions with respect to the same. Besides, where appropriate your company has added additional field force essentially to extend its reach.

Your company has been a pioneer in meeting the emerging healthcare needs of this country over the last 80 years and stands committed to continue to do the same in a manner that it impacts as large a segment of patients as possible.



## **Maximizing access to medicines Innovation. Capabilities. Reach.**

GSK practices its belief in maximizing access to medicines for all. GSK continues to find new ways of delivering healthcare and making its broad based products more affordable and available to people.

Our cover is an endeavour to capture GSK's focus in constantly innovating, building its internal and external capabilities to ensure it reaches all stakeholders...**Another step in helping people do more, feel better and live longer.**



# Opportunities, Growth & Reach

GSK has always believed in maximizing access to medicines. While focusing on operating in a responsible and ethical way, we have been consistent and continue to record achievements and growth, by building capabilities, increasing access and expanding our network to reach everyone. We continue to find new ways of delivering healthcare and making our products more affordable and available for people.

This year we have made good progress in extending our spread. Our REACH initiative covering rural markets has delivered excellent growth surpassing what it had set out to achieve. Mass Markets division continued to enjoy an enormous share towards progressive prescriptions of GSK. This business enhanced its portfolio presence in Gout by launching Uricostat™. Besides, Mass Markets entered into the nutritional segment by promoting ActiBase and ActiGrow, as part of the collaboration initiative between GSK Pharmaceuticals and GSK Consumer Healthcare.

In the Mass Specialty business, Augmentin continued to reign as the industry's No. 1 brand, while our recent industry entry in the antifungal segment, Mycamine grew further and ensconced itself strongly in the segment. CCM was the proud recipient of the OPPI Marketing Excellence Award in the 'existing product category'.

In the Specialty business, the Dermatology segment further consolidated its leadership position. The newly expanded Stiefel business has paved its way into the cosmetology segment strengthening our Dermatology business. The Oncology segment is well represented by Tykerb, Votrient and Revolade enabling better reach and coverage. The initiative taken to strengthen our Respiratory business is growing faster than the market with the successful launch of Seretide Evohaler, a Metered Dose Inhaler (MDI).

Vaccines continued to build on their success and surge ahead with Synflorix, the pneumococcal vaccine, which achieved a landmark distinction of being the first brand in the Indian pharmaceutical industry to achieve this level of success in the first year of launch.

# New products in 2012



Keeping in line with our objective of expanding our spread by adding products to meet unmet medical needs, 2012 saw a range of new product launches across therapeutic areas.

**Altargo™** is indicated for the topical treatment of bacterial skin infection. It is used to treat bacterial infections affecting small areas of skin. The active in Altargo™ is Retapamulin 1% and is presented in an ointment form.



**Volibris™ (Ambrisentan tablets 5mg/10mg)**, a non-sulphonamide class endothelin receptor antagonist (ERA), is indicated for the treatment of pulmonary arterial hypertension (WHO Group 1) in patients with WHO class II or III symptoms to improve exercise capacity and delay clinical worsening. Ambrisentan has been licensed to GlaxoSmithKline by Gilead Sciences Inc.



**Seretide® Evohaler® (Salmeterol and Fluticasone Propionate Inhalation)**, a Metered Dose Inhaler (MDI) with a dose counter helps patients keep a track of drug doses taken. The inhaler also has a locking system which prevents drug wastage and inhaler contamination. Seretide® Evohaler® is indicated for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD).



**Hycamtin™ (Topotecan Hydrochloride Capsules)** is indicated for the treatment of relapsed small cell lung cancer (SCLC).



**Lamictal™ (Lamotrigine Dispersible Tablets)** is an antiepileptic drug indicated for the treatment of partial and generalized tonic-clonic seizures in children (more than 2 years of age) and adults. It is also used in bipolar disorder for preventing mood episodes like depression and mania.

Besides, branded generics that were launched include Ictacetam™ (Levetiracetam) for epilepsy, Zimivir® (Valacyclovir) for herpes, Uricostat™ (Febuxostat) for gout, IV-Fer™ (Iron Sucrose Injection) for iron deficiency and fixed-dose combination of Metformin sustained release and Glimepiride for type 2 diabetes mellitus.



## Manufacturing excellence – Nashik



Aligning collective efforts with the site roadmap to deliver the business goals was priority. In harmony with Global Manufacturing and Supply initiatives, Nashik factory embarked on regional programmes like operations excellence, strategy deployment and performance management systems. Lean sigma training was imparted to supervisors from different functions, helping them further improve in their respective areas.



## Board of Directors

(As on 19.02.2013)

### Chairman

D. S. Parekh

### Vice-Chairman

V. Thyagarajan

### Managing Director

Dr. H. B. Joshipura

### Directors

R. R. Bajaaj

Dr. A. Banerjee (Alternate to S. Harford upto 31.07.2012)

Ms. A. Bansal (w.e.f. 19.02.2013)

P. V. Bhide

S. Harford

M. B. Kapadia

N. Kaviratne CBE

R. Krishnaswamy

V. Narayanan (upto 9.11.2012)

P. V. Nayak

A. N. Roy

R. C. Sequeira

D. Sundaram

### General Manager – Administration & Company Secretary

A. A. Nadkarni

### Bankers

Citibank N.A.

Deutsche Bank

HDFC Bank Limited

Hongkong and Shanghai Banking Corporation Limited

### Auditors

Price Waterhouse & Co., Bangalore

252, Veer Savarkar Marg,

Shivaji Park, Dadar (West),

Mumbai 400 028.

### Solicitors

Gagrat & Co.

### Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Unit: GlaxoSmithKline Pharmaceuticals Limited

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad 500 081.

Tel. No. 040-44655000/44655201

Email : einward.ris@karvy.com

### Share Department

Dr. Annie Besant Road,

Mumbai 400 030.

Telephone: 022-24959415/434

Fax: 022-24981526

Email: ajay.a.nadkarni@gsk.com

## Management Team

### Managing Director

Dr. H. B. Joshipura

### Senior Executive Director

M. B. Kapadia

– Finance

– Secretarial & Administration

### Executive Directors

R. C. Sequeira

– Human Resources

R. Krishnaswamy

– Technical

### Executive Vice-Presidents

H. Buch

– Pharmaceuticals

Dr. S. Joglekar

– Medical & Clinical Research

### Vice-Presidents

R. Bartaria

– Pharmaceuticals

S. Dheri

– Biologicals

S. Khanna

– Finance

K. Hazari

– Legal & Corporate Affairs

C. T. Renganathan

– Pharmaceuticals

### Registered Office

Dr. Annie Besant Road,

Mumbai 400 030.

Telephone: 24959595

Fax: 24959494

Website: [www.gsk-india.com](http://www.gsk-india.com)

### Factory

Ambad, Nashik

## Contents

Performance Summary & Charts.....	2
Directors' Report .....	3
Annexure to Directors' Report .....	11
Report on Corporate Governance .....	14
Business Responsibility Report .....	26
Auditors' Report.....	31
Financial Statements .....	34
Statement pursuant to Section 212.....	60
Biddle Sawyer Limited .....	61
Consolidated Financial Statements .....	69

# Performance Summary

(Amounts in Rupees Lakhs)	2012*	2011*	2010	2009	2008	2007	2006	2005	2004	2003
<b>PROFIT AND LOSS ACCOUNT</b>										
Sales	2669.97	2391.73	2155.08	1912.77	1751.56	1712.84	1677.57	1575.89	1479.59	1191.69
Profit before tax	994.78	921.60	867.27	758.48	679.90	606.73	555.95	477.91	418.24	284.56
Tax	(317.59)	(290.24)	(285.89)	(253.59)	(231.54)	(209.94)	(194.23)	(171.63)	(152.19)	(102.70)
Profit after tax and before exceptional items	677.19	631.36	581.38	504.89	448.36	396.79	361.72	306.28	266.05	181.86
Exceptional items (net of tax)	(99.93)	(200.76)	(17.69)	7.40	128.21	140.87	183.79	195.80	67.04	(9.63)
Net Profit	577.26	430.60	563.69	512.29	576.57	537.66	545.51	502.08	333.09	172.23
Balance brought forward	1110.59	1164.53	1049.23	882.41	759.89	632.75	441.19	259.75	196.93	120.89
Dividends	(423.51)	(381.16)	(338.81)	(254.11)	(338.81)	(304.93)	(262.58)	(237.17)	(209.57)	(74.48)
Tax on distributed profit	(63.66)	(60.32)	(53.21)	(40.13)	(57.58)	(51.82)	(36.82)	(33.26)	(27.39)	(9.54)
Transfer to General Reserve	(57.73)	(43.06)	(56.37)	(51.23)	(57.66)	(53.77)	(54.55)	(50.21)	(33.31)	(17.50)
Balance carried forward	1142.95	1110.59	1164.53	1049.23	882.41	759.89	632.75	441.19	259.75	191.60
<b>BALANCE SHEET</b>										
Equity Capital	84.70	84.70	84.70	84.70	84.70	84.70	84.70	84.70	87.32	74.48
Reserves	1925.31	1835.23	1846.11	1674.45	1456.39	1276.21	1110.01	863.91	836.94	593.01
Borrowings	4.59	4.91	5.16	5.42	5.65	5.77	5.54	4.85	3.85	2.86
	<b>2014.60</b>	<b>1924.84</b>	<b>1935.97</b>	<b>1764.57</b>	<b>1546.74</b>	<b>1366.68</b>	<b>1200.25</b>	<b>953.46</b>	<b>928.11</b>	<b>670.35</b>
Fixed Assets	133.19	115.32	117.65	114.17	100.35	92.90	94.46	96.94	91.49	99.38
Investments	102.58	159.80	160.35	190.91	751.87	1333.32	1139.41	913.06	776.82	409.12
Deferred Tax Assets (net)	86.54	61.47	56.40	44.69	29.60	20.14	24.61	29.76	44.86	30.03
Net Assets (Current and Non-Current)	1692.29	1588.25	1601.57	1414.80	664.92	(79.68)	(58.23)	(86.30)	14.94	131.82
	<b>2014.60</b>	<b>1924.84</b>	<b>1935.97</b>	<b>1764.57</b>	<b>1546.74</b>	<b>1366.68</b>	<b>1200.25</b>	<b>953.46</b>	<b>928.11</b>	<b>670.35</b>

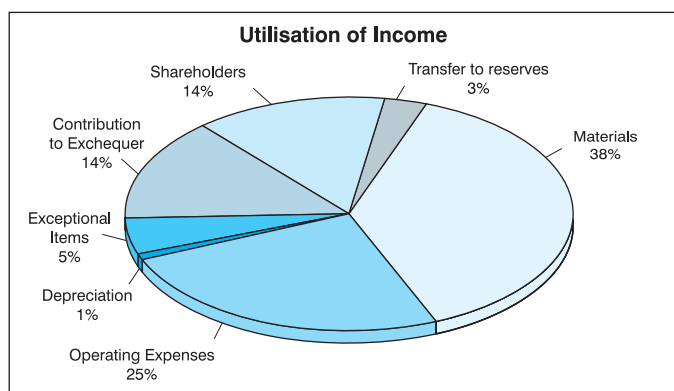
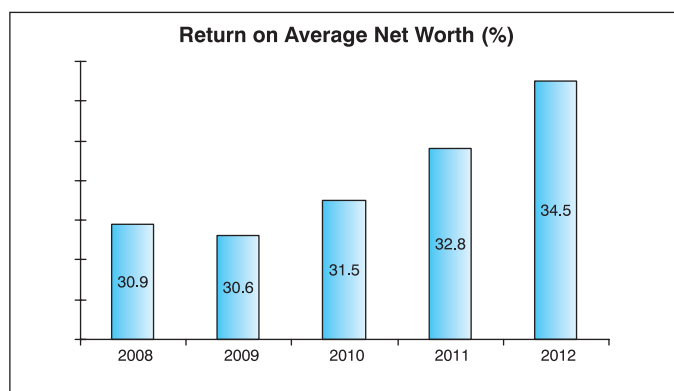
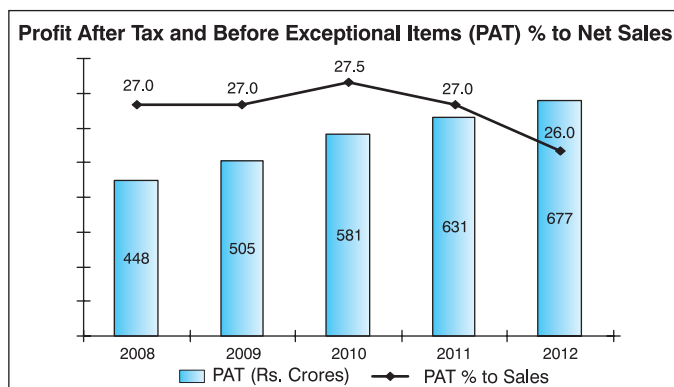
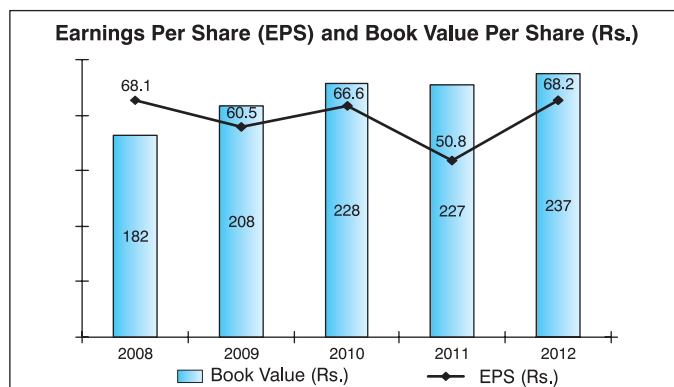
\* 2012 and 2011 based on Revised Schedule VI

<b>OTHER KEY DATA</b>										
Rupees per Rs.10/- Equity Share										
DIVIDENDS	50.00	45.00	40.00	30.00	22.00	18.00	17.00	14.00	13.00	10.00
SPECIAL ADDITIONAL DIVIDEND	—	—	—	—	18.00	18.00	14.00	14.00	11.00	—
TOTAL	50.00	45.00	40.00	30.00	40.00	36.00	31.00	28.00	24.00	10.00
Earnings per equity share	68.15	50.84	66.55	60.48	68.07	63.48	64.40	58.51	38.15	23.13
BOOK VALUE	237.31	226.67	227.96	207.69	181.95	160.67	141.05	112.00	105.85	89.63
Number of employees	4706	5055	4338	4006	3722	3620	3850	4016	4136	4271

## NOTES

- The Company has divested its Fine Chemicals business on 30th September, 2007 and its Animal Health business on 31st July, 2006.
- The Company has bought back and extinguished 26,19,529 equity shares during 2005.
- Burroughs Wellcome (India) Limited merged with the Company from 1.1.2004.
- Profit And Loss Account balance brought forward as on 1.1.2004 includes Rs. 533 lakhs transferred from erstwhile Burroughs Wellcome (India) Limited, pursuant to the Scheme of Amalgamation.
- Figures have been adjusted/regrouped wherever necessary in line with the financial statements, to facilitate comparison.

## Charts



## Directors' Report

The Directors have pleasure in submitting their Report for the year ended 31<sup>st</sup> December 2012

### 1. Results for the year ended 31<sup>st</sup> December 2012

	Year ended 31 <sup>st</sup> December 2012 Rs. in lakhs	Year ended 31 <sup>st</sup> December 2011 Rs. in lakhs
Sale of Products (Net of Excise Duty) .. .. .	2599,93.10	2338,03.40
Other Operating Revenue .. .. .	30,37.21	37,84.70
Revenue from Operations .. .. .	2630,30.31	2375,88.10
Profit before Exceptional Items and Tax .. .. .	994,77.65	921,59.78
Less: Exceptional Items .. .. .	(148,21.70)	(322,54.14)
Profit before Tax .. .. .	846,55.95	599,05.64
Less: Tax expense .. .. .	269,30.06	168,45.22
Net Profit for the year .. .. .	577,25.89	430,60.42
Add: Opening Surplus brought forward from the previous year .. .. .	1110,59.15	1164,52.81
Less: Appropriations:		
Proposed Dividend (including tax on distributed Profits) .. .. .	487,17.85	441,48.04
Transfer to General Reserve .. .. .	57,72.59	43,06.04
Closing Surplus carried forward .. .. .	1142,94.60	1110,59.15

### 2. Dividend

The Directors recommend a Dividend of Rs. 50 per Equity Share for the year (previous year: Rs. 45.00 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the Dividend will absorb Rs. 423 crores. The Dividend Distribution Tax borne by the Company will amount to Rs. 64 crores.

### 3. Management Discussion and Analysis

#### (a) Finance and Accounts

Your Company maintained its prominent position in the Pharmaceuticals market with Sale of Products (net of Excise Duty) registering a growth of 11.2%. Sales of the Pharmaceuticals business grew by 12.5% supported by good growth in all of the Company's diversified business units i.e. in the Mass Markets, Mass Specialty, Vaccines and Specialty segments such as dermatologicals, oncology, etc.

Despite a challenging operating environment, material cost increases and significant investments in field force expansion in recent years, Profit before Exceptional items and Tax grew by 7.9%, and Profit before Investment Income, Depreciation and Tax amounted to 32% of net Sales.

Cash generation from Operations and before Exceptional items continues to remain favourable, driven by business performance and management of working capital. Your Company continues to look for ways and means of deploying accumulated cash balances which remain invested largely in bank deposits.

Your Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31<sup>st</sup> December 2012.

#### (b) Pharmaceuticals Business performance and outlook

Your Company continues to enjoy a leadership position in the therapy areas in which it provides health care solutions to patients.

Your Company outlined the strategy six years back by defining the portfolio and identified specialty products as a patient need and focused on these therapy areas with a view to augmenting the company solutions in these areas. The contribution from specialty products has consistently grown from 18.5% in 2009 to 21.7% in 2012 of the total sales of your Company and has grown by 16% over last year.

Your Company is a leader in meeting patient needs in the area of Dermatology and has further consolidated its leadership position and is well poised to expand the therapeutic offerings in the coming years. In the Dermatology therapy, your Company registered a market share of 15.5% during the current year. The core strength of your Company's clinical Dermatology offerings have consistently grown ahead of the market and at the same time the newly expanded Stiefel business has met satisfactory uptake from patients and doctors. The topical steroids continue to be the main stay for Dermatology and have retained a strong leadership position with a market share of 29% (source: IMS MAT NOV12). Your Company has a range of offerings for patients in topical antibiotics through products like T Bact, Bactroban, Neosporin and Altargo which occupy a significant leadership position with market share of 54% (source: IMS MAT NOV12). In cosmetology, your Company continued to expand offerings for patients with the innovative Stiefel range of products meeting needs in areas like acne, sunscreen and dry skin management.

The disease burden of cancer sadly continues to increase in the country. Your Company, as in the last few years, provided innovative solutions to meet the same. Tykerb launched for terminally ill breast cancer patients continues to find increasing acceptance among doctors and patients alike, particularly on account of the tiered pricing approach which your Company follows for these life saving products. In addition, Votrient for the treatment of kidney cancer and Revolade for treatment of thrombocytopenia (reduced platelet count) in adults with the blood disorder chronic immune (idiopathic) thrombocytopenic purpura (ITP), continue to meet the needs of increasing number of patients year on year. Your Company now has a significant presence in the attempts to treat the unfortunate burden of cancer.

Cardiovascular disease as well continues to grow at an alarming rate and your Company has brought to market "Benitec", a product licensed in from Daichi Sankyo, Japan. Benitec has found increasing acceptance with patients and doctors alike in the current year. Diseases of central nervous system also have a major epidemiology in the country and your Company introduced a product from its parent organization's research pipeline, "Lamictal" as well as "Ictacetam", a branded generic for the treatment of Epilepsy. The launch of Seretide Evohaler with dose counter has helped your Company in improving patient care in asthma. This unique device through its dose counting model has helped to facilitate the right usage of the drug delivery system thereby improving patient compliance.

The Mass Specialty business of your Company recorded a double digit growth over the previous year with its promoted product portfolio growing ahead of the market. The anti-infective range of products, despite a slowdown in the market, crossed the milestone turnover of Rs. 500 crores with Augmentin retaining its status of being the No. 1 brand in the Indian Pharmaceutical Industry by value. Your Company's recent entry in the anti-fungal segment continued to provide an effective solution to patient needs in this therapeutic area and the Company's product, "Mycamine" grew ahead of other products in this area in terms of its uptake by patients and doctors.

Your Company's efforts towards building awareness in the hypothyroidism area continued unabated and the patient focused activities were highly appreciated by the physician's community. CCM was the proud recipient of the OPPI Marketing Excellence Award in the Existing Product Category. Your Company immensely benefited from the new initiatives of Hospital and Tender business with both teams strengthening their presence in the corporate and government hospital segments.

Mass markets, which comprise of the traditional health care solutions of your Company contributed to 47% of your Company's share in Indian Pharmaceutical Market (IPM) in 2012. Mass markets had 11 brands in first 300 brands of IPM, in value terms. Betnesol was ranked 3<sup>rd</sup> brand and Zinetac was at number 4, in unit terms.

Dilo BM, Cefspan, Lilo, Ostocalcium, Zentel and Zyloric grew better than the market and Zinetac, Piriton, Calpol, Phexin and Bactroban retained a growth level above the market growth. Ostocalcium solids and liquids grew above the market and crossed a turnover of Rs. 50 crores. Calpol, Zinetac, Neosporin and Phexin displayed very strong performance. The positive portfolio changes were significant with greater momentum displayed on promoted brands. REACH, a rural marketing initiative of your Company which attempts to physically



provide access of the Company's products in small villages and which also provides continuing medical education to doctors in these remote geographies has met with continued success. The collaboration initiative between your Company and the Consumer Healthcare Company owned by the parent organization with a view to improving access of our products to patients has commenced well. As a part of this initiative the mass markets business of your Company launched products in patient nutrition by launching the brands ActiBase and ActiGrow.

Your Company is already a leader in providing a solution for gout and expanded its offerings by launching Febuxostat, again, for the treatment of gout.

International evidence clearly suggests that disease prevention remains a more cost effective health economic intervention than therapy. Consistent with this evidence, your Company offers a wide range of vaccines to prevent specific diseases. Your Company's range of vaccines grew faster than the overall vaccines market in 2012. Pneumococcal disease remains the leading cause of infant mortality in the country. Your Company launched Synflorix a pneumococcal vaccine last year again at an India specific price from the parent's research pipeline. Synflorix was very well received by pediatricians and parents alike and achieved a landmark distinction of being the 1<sup>st</sup> brand in the Indian Pharmaceutical Industry to achieve this level of success in the first year of launch. The other important vaccines which continue to receive increasing support from the physician community were Cervarix and Rotarix. Your Company continues to hold its leadership position with a market share of 24.9% (source: IMS MAT NOV12). During the year your Company was awarded Frost and Sullivan: Paediatricians' Award for Vaccines Company of the year.

New products were introduced in the areas of Dermatology, Oncology, Gynaecology and Respiratory.

Exports recorded a sales turnover of Rs. 19.59 crores comprising both Bulk Drugs and Formulations. Exports of bulk drugs were to major markets like Japan, France, Jordan, U.K. and Germany.

#### **(c) Opportunities, risk, concerns and threats**

The economic reforms initiated in the last quarter of the year continued, the projections for the 12<sup>th</sup> Five Year Plan envisage increasing total public funding by the Centre and States, plan and non-plan, on core health from 1.04% of GDP in 2011-12 to 1.87% of GDP by the end of the 12<sup>th</sup> Plan. Higher allocation is intended to support more activities in public healthcare including improving health infrastructure. A major focus would be to expand the reach of healthcare and to work towards the long term objective of establishing Universal Health Coverage in the country.

The Indian government has notified the National Pharmaceutical Policy which brought in significant change in the price control mechanism by introducing market based price control based on essentiality of a drug against the existing cost based price control. The span of control has expanded to include all drugs listed in the National List of Essential Medicines (NLEM), however, the pricing mechanism intends to retain market prices up to a ceiling price based on simple average of all brands with market share more than 1%. The new pricing policy is likely to have a business impact on your Company due to the new pricing mechanism and the expanded NLEM list of drugs.

#### **(d) Research & Development and Regulatory Matters**

During the year under review, in order to support the commercial availability of new drugs that would benefit and improve the quality of life of Indian patients suffering from various diseases, your Company submitted necessary applications for New Products in India to the CDSCO (Central Drugs Standard Control Organization), Ministry of Health and Family Welfare, Government of India. After a thorough review of its applications, your Company has received approval for some of these products from CDSCO, which will enable timely access to new and innovative therapeutic options to patients in our country. Additionally, to support the R&D efforts of GlaxoSmithKline, your Company submitted 2 Clinical Trial applications to CDSCO. Your Company has been granted approval, based on a diligent review of our applications made in 2012, to conduct 4 studies in the Indian population through the Clinical Operations team in India.

Some of the innovator products approved by the regulatory agency in India during the year under review include a biological oncology product denosumab in-licensed from Amgen (Xgeva) for the prevention of skeletal related events in patients with advanced malignancies involving bone, lamotrigine extended release formulation (Lamictal XR), a medicine for

the treatment of epilepsy and fluticasone propionate suspension for inhalation for asthma patients. All these new products approved for the Company during the year under review will be beneficial to Indian patients.

GlaxoSmithKline continues to be committed to Research and Development of medicines that will improve the quality of life of people around the world and truly make a difference to patients. Your Company is one of the few with passion for research and with exemplary skills for turning that research into medicines, keeping a “patient first” attitude in everything that it does. GlaxoSmithKline’s scientists across the world work hard to discover new medicines that prevent, treat or cure diseases.

Your Company initiated studies in oncology, anti-infectives, respiratory and osteoporosis, after obtaining necessary Ethics Committee approvals. Your Company has trained 56 new investigators on Good Clinical Practices and protocol-related science at approximately 40 clinical trial sites across India. Quality continues to be a priority as demonstrated by a number of internal and external compliance audits with no critical/or major findings. To strengthen quality of data, the team enhanced its existing quality standards and simplified systems and processes. This will help generate accurate and significant data, and ensure that the rights and safety of patients taking part in your Company’s studies are protected.

The Medical Affairs team has provided valuable medical inputs for the development and execution of brand strategy for several products including Uricostat (Febuxostat), IV-FER (Iron Sucrose), Volibris (Ambrisentan), Zimivir (Valacyclovir), Lamictal (Lamotrigine), Ictacetam (Levetiracetam) and Hycamtin (Topotecan). The team played a crucial role in communicating high-quality scientific information to the medical fraternity. It was involved in conducting scientific engagement activities such as advisory board meetings, congress presentations, publications and provision of evidence-based medical information to healthcare practitioners. The Medical Affairs team, in tandem with Medical Governance team, also ensures that your Company’s promotional activities are in line with all the applicable guidelines and standard operating practices.

#### **(e) Internal Control Framework**

Your Company conducts its business with integrity and high standards of ethical behavior, and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, supported by standard operating procedures, policies and guidelines, including suitable monitoring procedures and self-assessment exercises. In addition to external audit, the financial and operating controls of your Company at various locations are reviewed by the Internal Auditors, who report significant findings to the Audit Committee of the Board. Compliance with laws and regulations is also monitored.

Your Company’s Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions. In accordance with the Code of Conduct, and Standards associated with the Code of Conduct, employees are required to become familiar with the legal requirements, policies and procedures applicable to their areas of operation, avoid conflicts of interest and are tasked with upward reporting of all unethical and illegal conduct. All employees are committed to the principle of performance with integrity and ensuring that activities comply with all applicable laws.

Additionally, employees are required to certify on an annual basis whether there have been any transactions which are fraudulent, illegal or violative of the Code of Conduct. Strong oversight and self monitoring policies and procedures demonstrate your Company’s commitment to the highest standards of integrity.

Your Company’s policies and updated Global Code of Practice for Promotion and Customer Interactions prescribe the nature of practices and prohibits specifically those which are unethical. Your Company is a signatory to the OPPI (Organisation of Pharmaceuticals Producers in India) Code of marketing conduct. Your Company is also governed by the anti-bribery and corruption programme which is applicable across the global organisation and complies with the principles laid down under US Foreign Corrupt Practices Act and British anti-bribery laws.

#### **(f) Human Resources**

In your Company various initiatives took shape in 2012 on the Human Resources front in the three key focus areas of Capability Building, Talent Management and Employee Engagement.

Your Company's Talent Management process focused on building talent at various levels in the organization. A number of Management Trainees have been hired keeping in mind the company's future needs to build a leadership pipeline. At the mid to senior levels new people have been hired to build capabilities in new therapy areas and to fill any gaps. While at the same time the Company has focused on developing internal talent through a robust identification process and with a clear development plan designed for each such talent. This year saw a rise in the number of our employees moving on international assignments as a part of our planned development moves. Following the entry of your Company into the Central Nervous System (CNS) therapy area, a new team was created by hiring experienced CNS professionals in Sales & Marketing.

Addressing the training needs of our employees and with a focus on developing leadership and coaching skills, a carefully planned Learning and Development calendar was created and implemented. While the First Line Leadership program and the Leading Delivery program continued to enhance capabilities in your Company's first and second line managers respectively, majority of your Company's managers were covered under "Practical Coaching at Workplace". This initiative is aimed at developing and embedding a coaching culture among our managers.

'Empowerment League 2012' maintained focus on developing Individual Empowerment which is one of the key strategic priorities of your Company. This is an avenue for reaching out to the larger organization towards engaging and empowering employees to take ownership of problems which in turn drive the strategic priority of individual empowerment and embeds your Company's high performance behaviors.

Your Company, in their commitment to recognize and reward individuals and teams, has rewarded over 387 employees with the AAA (Acknowledge, Appreciate, Applaud) for their contributions to the GSK values and implementation of strategic imperatives. A number of other recognition programmes such as the 'Bravo Card' and 'STAR' awards continue to run successfully. Wellness and Wellbeing Services were availed by the employees which helped in providing them guidance on their day-to-day issues of life. A number of continuous improvement measures were put in place to enhance the service levels in HR.

In order to contribute to society employees were encouraged to participate in two initiatives under the branding of 'PULSE' and 'Orange Day'. A number of employees participated in both programmes. Through PULSE, motivated employees engage in assignments with non-profit organizations for 3 or 6 months full-time, contributing their skills to solve healthcare challenges at home and abroad. When PULSE volunteers return, they act as catalysts to change your Company for the better. In the Orange Day programme employees were required to carry out field work with identified NGOs on Orange Day.

On the Industrial Relations front, your Company would like to acknowledge the contributions of the Union and its employees in general in helping the Company attain its business goals. During the course of the year, your Company offered a voluntary retirement scheme to employees of Thane factory which was accepted by all the employees. Your Company has since ceased operations at Thane factory.

Your Company continues to lay strong emphasis on Sales Training for its field force, both at induction and through refresher programs to accredit all front-line sales persons and managers on Pathology-Product-Promotion with World Class Sales Skills.

The three year researched 'Sales DNA' has been launched now even for all our First-line Sales Managers. The Sales Training team has initiated significant design of extensive and comprehensive e-Learning resources to enable a quicker and improved execution of Marketing Strategy by all Sales Teams in 2013.

In order to increase patient access to medicine, the sales training resources have, in addition to Brand Strategies, also designed a differentiated strategy on 'Customer and Patient Focus' for brand promotion in many therapy areas. The 'Patient-Customer Focused Selling' will give a cutting edge to your Company's front-line sales personnel in a crowded market.

## **(g) Supply Chain**

### **Procurement**

The trend of last year continued in 2012 as well, whereby many uncontrollable factors made supply chain vulnerable namely global and local economic downturn, high inflation and depreciating Indian Rupee. Europe in particular posed a grave risk where exports from Indian vendors were down and also a new regulation likely to be in practice by July 2013 forcing

them to redesign their business models. All these posed risk in supply continuity coupled with increasing cost. However, a combination of strategic commodity management and integration with global and regional management structure helped your Company in mitigating these price and security of supply pressures to a great extent. Another focus area was to launch “Green Sourcing” and reduction of carbon footprint of your Company’s supply chain. A benchmark exercise of carbon emission from your Company’s key vendors was initiated.

### **Manufacturing**

The India manufacturing operations have a roadmap and long term strategy aligned with the global strategy. Capacity expansion projects of Ampoules and Eltroxin have been started at the Nashik site this year. Your Company also continues to work on building capacities through dual sourcing for key products. The Nashik site is continuously building capabilities through productivity, OEE improvements, recruitment of professionals, specifically in Quality, EHS and Manufacturing, as well as recruitment of fresh diploma engineers on the shop floor. Over a period, the site has developed capabilities of supplying to Government Tenders which are in generic drug form and highly customised packs.

### **Manufacturing Excellence**

In line with Global Manufacturing and Supply initiatives, your Company has been working on strategy deployment, performance management, lean leadership, visual factory, gemba with purpose etc. Through strategy deployment the Nashik site is striving to engage everybody and aligning the collective efforts of everyone with the site roadmap to deliver the business goals. Several improvement projects have been identified related to OEE improvement, cost reduction, productivity improvement, quality and safety improvement which are in progress.

Lean sigma training was imparted to 26 supervisors from different functions. They are working on the improvement projects in their respective areas. A benchmarking study –Pharma Operations Benchmarking of Solids (POBOS) was done for solid dose value stream to assess where your Company stands as compared to other sites within GlaxoSmithKline Group. In most of the areas your Company is in the top position. An action plan has been drawn up by the site to further strengthen manufacturing and Quality infrastructure.

### **Logistics**

Keeping in mind the growing business and complexities, actions were taken to re-align processes and infrastructure during the year. In tune with your Company’s commitment to Quality and Compliance, major projects got started in consolidation of warehouses, augmenting warehousing capability in terms of space, temperature controlled storage area and fulfilling other basic needs. While supply position was challenged for a few brands, overall positive trend in supply performance especially in vaccines helped supporting the larger business performance.

## **(h) Corporate Social Responsibility**

As a part of its social development initiatives, your Company continued its dedicated efforts towards social programmes by continued support to ongoing long term projects and commissioning many new activities.

Gramin Arogya Vikas Sanstha (GAVS), a registered public trust, promoted by the Company, gave new shape to its Tribal health care project with its partner NGO, Niramaya Health Foundation. The Project is now covering 60 villages through nine health centres and mobile van clinics in Nashik, Maharashtra. In 2012, this project has impacted the lives of 30,000 direct beneficiaries and 1.25 lakh indirect beneficiaries through health checkups and education sessions.

GAVS in partnership with Kherwadi Social Welfare Association (KSWA) has worked towards “enhancing employment through Vocational and Skill Development Training” among underprivileged rural tribal youth in Nashik. This year, the project covered 1000 youths for training. Your Company continued its support to Institute for Indian Mother and Child (IIMC), a non-government organization. The major objectives of the project includes providing primary health care services to mother and child, work and educate community on services related to antenatal care, natal and post natal care. During the year more than 1.2 lakh mothers have been covered for maternal and child health.

Another health care project which your Company is supporting through Nirmaya Health Foundation is in the slums of the dumping grounds in Deonar, Mumbai. Through this project, your Company is managing a fully-equipped mobile medical van, ensuring that the immediate health care needs of 30,000 slum dwellers can be assessed and treated, and proper referrals can be made when necessary. Your company also started safe drinking water project for slum families and opened a new computer education center for slum children.

During the year, your Company proactively supported four voluntary organizations for cancer care. This included screening camps to facilitate early detection, treatment, rehabilitation and palliative care of cancer affected patients from underserved community. Sri Chaitanya Seva Trust was supported for Cancer screening camps and over 120 camps were conducted, thereafter more than 10,000 patients were screened for cancer. New initiatives were also taken to provide complete assistance to cancer patients and their families. Indian Cancer Society was supported for rehabilitation of 100 cancer patients through vocational training, employment and nutritious diet. The Bangalore Hospice Trust, Karunashraya was supported with donation of medicines for care of critically ill cancer patients.

This year marked the beginning of the fifth year of a very successful partnership with Pratham in Behraich (U.P) and Jodhpur (Rajasthan). During the year, out of 98 children, 30 children were repatriated successfully with follow ups on their education. Additionally 30 children will be enrolled. Digital classes were started to facilitate increased interest in children towards education, improve quality of education and also to increase the pace of the child's learning.

Among other initiatives taken during the year was the support to Paraplegic Foundation in Mumbai for rehabilitation of the severely orthopedically disabled lower socio-economic class patients. Another new Initiative taken by your company was to run Mid Day Meal Program in association with ISKON food relief which has contributed to an increase in overall enrolment in schools. During the year, 70 schools and over 1000 students in Mumbai municipal schools were supported.

During the year, your Company also supported many projects in the area surrounding Nashik operations for education of the underprivileged children. The support to the Ashirwad Special Education School, Delhi which serves mentally challenged children continued. Besides, the Pushpawati Runtha Kanya Vidhyalaya, Shree Ichhyamani Vidhyamandir and Vanita Vikas Mandal, Nashik, were supported by providing educational material to girls from underprivileged families. Another project supported was through the Down's syndrome Care Association, Nashik for giving Special Toys / Games / Speech / physiotherapy etc. to treat children. Your Company supported a Computer lab project for Chandak Kanya Vidyalaya and for Avishkar Education Sanstha.

GSK plc continued its efforts in strengthening immunization in 5 Health Posts of Mumbai slums with PATH, an international development organization and covered a population of 5 lakh. Through the use of web based MIS system, coverage for immunization increased from 34% to 51% among the eligible children upto 2 years of age.

"The Personal Hygiene and Sanitation Education (PHASE) Programme" supported by GSK plc was implemented successfully this year as well through Pratham, an NGO working towards child's right to education. GSK plc continued its support through donation of Albendazole tablets to India for the Government Lymphatic Filariasis eradication programme.

**(i) Cautionary Note**

Certain statements in the "Management Discussion and Analysis" section may be forward-looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

**4. Directors**

Dr. A. Banerjee resigned as Alternate Director to Mr. S. Harford from 31<sup>st</sup> July 2012 and Mr. V. Narayanan resigned as Director from 9<sup>th</sup> November 2012. The Board places on record its appreciation of the valuable services rendered by Dr. A. Banerjee and Mr. V. Narayanan during their tenure as Directors and for their contributions to the deliberations of the Board.

The Board of Directors has appointed Ms. Anjali Bansal as Non-Executive Independent Director with effect from 19<sup>th</sup> February 2013, in the casual vacancy caused by the resignation of Mr. V. Narayanan.

Mr. P. V. Bhide, Mr. M. B. Kapadia and Mr. R. C. Sequeira retire by rotation and, being eligible, offer themselves for re-appointment.

## 5. Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> December 2012 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

## 6. Corporate Governance & Business Responsibility Report

Your Company is part of the GlaxoSmithKline plc group and conforms to norms of Corporate Governance adopted by them. As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, given in Annexure 'B', forms a part of this Report. Further a Business Responsibility Report, describing the initiatives taken by your Company from an environmental, social and governance perspective, given in Annexure 'C', also forms a part of this Report.

## 7. Auditors

Members are requested to re-appoint M/s. Price Waterhouse & Co., Bangalore, Chartered Accountants, as the Auditors of the Company and authorise the Audit Committee to fix their remuneration.

Pursuant to the Order issued by the Central Government under Section 233B of the Companies Act, 1956, the Board of Directors of your Company have appointed M/s. R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for its Formulations.

## 8. General

The particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report. The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company. Further, attached to the accounts of the Company are the Report and Audited Accounts of Biddle Sawyer Limited, a subsidiary company.

## 9. Employees

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company and for the support received from all other stakeholders, including shareholders, doctors, medical professionals, customers, suppliers and business partners.

The Board and the Management of your Company are indeed appreciative of the substantial support being received from GSK plc, the parent organization, in providing new healthcare solutions which are products of its discovery labs and the technology improvements which benefits your Company immensely.

On behalf of the Board of Directors

V. Thyagarajan  
Vice-Chairman

Mumbai, 19<sup>th</sup> February 2013

## Annexure 'A' to the Directors' Report

### I. Conservation of Energy:

- 1 The Nashik factory has achieved a 7% reduction in specific energy consumption & carbon footprint (Gigajoules / million pack) as compared to 2011 through various energy conservation initiatives.
- 2 A variable frequency drive of 100KW was installed on the air compressor which has reduced power consumption by 50000Kwh / Year.
- 3 High efficiency EC motors installed for HVAC.
- 4 The site has taken specific initiatives to reduce the consumption of fossil fuels as well as carbon footprint. A specific project has been initiated to modify the existing boiler operations by using briquettes (bagasse). This will reduce the CO<sub>2</sub> emissions by 1500 Tons / year. The project is expected to be completed in 2013.
- 5 Two high efficiency pumps have been installed for chillers which delivered energy saving of 30000Kwh / Year.
- 6 Increased operational control on Utilities.

Apart from the above measures, continued efforts for monitoring of noise levels, recycling of waste and monitoring of gaseous emissions from the boiler have helped sustain a high level of energy efficiency.

### Power and fuel consumption

		Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2011
<b>1. Electricity</b>			
a.	Purchased units	KWH'000	16,569.94
	Total amount	Rs. Lacs	20,674.92
	Rate / Unit	Rs.	1,349.83
			6.53
b.	Own generation		
i	Through DG		
	Units	KWH'000	36.58
	Units / ltr of HSD	*	1.84
	Cost per unit	Rs.	31.04
			17.40
ii	Coal	NA	NA
<b>2. Furnace Oil, LDO &amp; LSHS</b>			
	Quantity	KL	*871.30
	Total amount	Rs. Lacs	2,112.39
	Average rate	Rs. / KL	728.04
		47,440.69	34,464.98

\* Due to cessation of manufacturing activities at Thane factory.

### Consumption per unit of production

		Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2011	Year ended 31 <sup>st</sup> December 2011
		Chemicals (Incl. Bulk Drugs) Per Tonne	Formulations Per Million Packs	Chemicals (Incl. Bulk Drugs) Per Tonne	Formulations Per Million Packs
Electricity	(Units)	—	84,212	15,43,826	79,675
Furnace Oil, LDO & LSHS	Kltrs	—	4.82	230.18	5.56
Natural Gas	Th.NM3	—	—	—	—

## II. Research and Development (R&D)

The Company has two R&D units, namely Chemistry Research & Development (CR&D) and Pharmaceutical Research & Development (PR&D). Both are approved by Department of Science and Industrial Research, Government of India.

### Chemistry Research & Development (CR&D), Thane

During 2012, Chemistry R&D provided synthesis services to Primary Shared Service, Global Manufacturing & Supply, GSK UK. The work involved synthesis of impurities generated during the production of certain compounds. The results of this synthesis would serve as reference standards for mapping of impurity profiles during manufacturing.

### A. Pharmaceutical Research and Development (PR&D), Nashik

Pharmaceutical R&D started using TRA (Technical risk assessment) & software aided DoE (Design of Experiments) for developing and optimizing the manufacturing processes. The department undertook a number of improvement initiatives, new product introductions and new source evaluations and qualifications. PR&D also utilized the trained resources on in-house manufacturing process improvements as well as supported new product launches through collaborative work with various business partners.

With the increase in the number of diabetic's patients, PR&D has initiated a project on substituting the sugar with artificial sweeteners to significantly reduce the calorie content of the formulations and simplify the processes used for manufacturing Liquid Oral products. The elimination of the use of sugar will also indirectly support in reducing the carbon footprint.

PR&D worked with Global serialization experts, various suppliers & internal stakeholders for successful implementation of cost effective tactical solution of "Barcoding & Serialization" for Export & Government supplies on secondary level packs. The department also worked on commercial implementation of SMS Technology (mass encryption technology) as an anti-counterfeit measure for Eltroxin 25 & 50 µg Tablets.

PR&D also initiated the development to support emerging markets by developing Branded Generics products involving different internal stakeholders.

The Company continues to be privileged to have access to various research databases used worldwide and to latest technologies developed by GlaxoSmithKline Group.

### Important milestones achieved by PR&D:

- Roll out of Technical Risk Assessment (TRA) concept to the existing products.
- Implementation of Product performance dashboard (PPD) for major products at Nashik.
- Developmental trials initiated for sugar substitute project.
- PR&D supported dual sourcing strategy for raw materials and finished products to create the flexibility and increase capacity to ensure security of supply.
- Implementation of tactical solution of 'Barcoding & Serialization' for secondary packs for institutional supplies and export orders.
- The department successfully implemented new sources of APIs and excipients which has resulted improvement in security of supply and in cost savings.
- DoE implemented in few products to ensure process / formula optimisation.
- Improved technical understanding of Albendazole LF tablets manufactured for WHO donation programme.

### Future Plans:

- Special focus on the speedy implementation of the project to substitute the sugar with artificial sweeteners to significantly reduce the calorie content of the formulations and simplify the processes used for manufacturing of all Liquid Oral products in a phased manner is being planned.
- The department is planning to implement SMS Technology (mass encryption technology) for major products like Augmentin on commercial scale as an anti counterfeit measure.



Expenditure on R&D:

	Rs. Lakhs
Capital	5.60
Recurring	240.35
Total:	245.95
Total R&D expenditure as a percentage of turnover	0.10%

GSK plc the parent organization of your Company is one of the biggest investors in R&D to bring new products and vaccines to the market. Your company has been a beneficiary of this significant investment in R&D and it is the effort of the parent organization which has enabled your Company to bring a number of new drugs to market since inception.

**Technology Absorption, Adaptation and Innovation:**

- Installed the latest High speed high precision tablet compression machine for Zinetac & Eltroxin.
- To cope up with the increased demand of products in the derma portfolio a high speed automated packaging line has been installed.

**III. Foreign Exchange Earnings and Outgo**

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

- (1) Exports amounted to Rs. 1959 lakhs for the year.
- (2) Total Foreign Exchange used and earned :

During the 12 month period, the foreign exchange outgo was Rs. 41414 lakhs (which includes amounts spent on import of raw and packing materials and finished goods aggregating to Rs. 20259 lakhs and Dividend payment of Rs. 19313 lakhs) as compared to Rs. 36418 lakhs in 2011. The foreign exchange earned was Rs. 7152 lakhs mainly on account of exports and clinical research and data management as compared to Rs. 7987 lakhs in 2011. Details have been given in Notes 42 to 45 to the financial statements.

# Annexure 'B' to the Directors' Report

## Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

### 1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. For several years, the Company has adopted a codified Corporate Governance Charter, which is in line with the best practice, as well as meets all the relevant legal and regulatory requirements. All Directors and employees are bound by Code of Conduct and the associated standards of Conduct that sets out the fundamental standards to be followed in all actions carried out on behalf of the Company.

### 2. Board of Directors

- Composition and size of the Board

The present strength of the Board is fourteen Directors. The Board comprises of Executive and Non-Executive Directors. The Non-Executive Directors bring independent judgement in the Board's deliberations and decisions. Four Directors, including the Managing Director, are Executive Directors. There are Ten Non-Executive Directors, of which, seven are Independent Directors.

Glaxo Group Limited, U.K., have rights enshrined in the Articles of Association relating to the appointment and removal of Directors not exceeding one-third of the total number.

- Board meetings and attendance

Seven Board meetings were held in 2012 and the gap between two Board meetings did not exceed four months. The annual calendar of Board meetings is agreed upon at the beginning of each year.

The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board meeting are circulated at least three days prior to the meeting. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board to take informed decisions.

The dates on which meetings were held are as follows:

Sr. No.	Date of Meeting	Board Strength	No. of Directors present
1.	16 <sup>th</sup> February	14	14
2.	10 <sup>th</sup> April	14	13
3.	7 <sup>th</sup> May	14	11
4.	12 <sup>th</sup> July	14	12
5.	13 <sup>th</sup> August	14	13
6.	9 <sup>th</sup> November	14	12
7.	19 <sup>th</sup> December	13	12

- Attendance of each Director at the Board meetings and last Annual General Meeting (AGM) and the number of companies and committees where he is a Director / Member (as on the date of the Directors' Report)

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at the last AGM held on 10 <sup>th</sup> April 2012	Number of Directorships in other companies (excluding Directorships in foreign and private companies)	Number of mandatory committee positions held in other companies	
					Chairman	Member
Mr. D. S. Parekh Chairman	Non-Executive	7	Yes	8*	1	3
Mr. V. Thyagarajan Vice-Chairman	Non-Executive	5	Yes	1	Nil	2
Dr. H. B. Joshipura Managing Director	Executive	7	Yes	1	Nil	Nil
Mr. R. R. Bajaaj	Non-Executive & Independent	6	Yes	1	Nil	Nil
Dr. A. Banerjee (Alternate to Mr. S. Harford) (upto 31.07.2012)	Executive	2	N. A.	Nil	Nil	Nil
Ms. A. Bansal (w.e.f. 19.02.2013)	Non-Executive & Independent	N. A.	N. A.	Nil	Nil	Nil
Mr. P. V. Bhide	Non-Executive & Independent	7	Yes	7	2	3
Mr. S. Harford	Non-Executive	4	Yes	Nil	Nil	Nil
Mr. M. B. Kapadia	Executive	7	Yes	1	Nil	Nil
Mr. N. Kaviratne	Non-Executive & Independent	4	No	1	Nil	Nil
Mr. R. Krishnaswamy	Executive	7	Yes	1	Nil	Nil
Mr. V. Narayanan (upto 9.11.2012)	Non-Executive & Independent	5	Yes	7	4	2
Mr. P. V. Nayak	Non-Executive & Independent	7	Yes	1	Nil	1
Mr. A. N. Roy	Non-Executive & Independent	7	Yes	1	Nil	Nil
Mr. R. C. Sequeira	Executive	7	Yes	2	Nil	Nil
Mr. D. Sundaram	Non-Executive & Independent	7	Yes	4	2	1

\* In addition, Mr. D. S. Parekh is Alternate Director on 2 Public Limited Companies.

- Directors with materially significant related party transactions, pecuniary or business relationship with the Company

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interests of the Company at large.

- Details of Directors being appointed / re-appointed

As per the Statute, two-third of the Directors should be retiring Directors. One-third of these retiring Directors are required to retire every year and if eligible, these Directors qualify for re-appointment.

Mr. P. V. Bhide, Mr. M. B. Kapadia and Mr. R. C. Sequeira retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A brief resume of Directors appointed / eligible for re-appointment along with the additional information required under Clause 49 (VI)(A) of the Listing Agreement is as under:

**Ms. A. Bansal**

Ms. A. Bansal received a master's degree in International Affairs, with distinction, from Columbia University in New York, where she majored in International Finance and Business, as well as a bachelor's degree in Computer Engineering from Gujarat University. Ms. A. Bansal is Managing Director of Spencer Stuart's Indian business, which she was instrumental in establishing. Based in Mumbai, she also co-leads the firm's Asia Pacific Board & CEO Succession practice.

As an active member of the Global Board practice, she works in various geographies across the United States, Europe and Asia, advising Indian and multinational companies on CEO and senior executive search, Board governance and succession. She also consults with clients across sectors, including private equity, financial services, technology, industrial and consumer goods and services.

In addition, she chairs the board of FWWB (Friends of Women's World Banking), a leading development and livelihood-promoting institution, serves on the board of the United Way of Mumbai, and is a charter member of The Indus Entrepreneurs (TIE).

Ms. A. Bansal is a frequent commentator on Board governance, CEO succession, entrepreneurship and other executive leadership issues. She is a regular columnist with leading publications such as *Mint-The Wall Street Journal* and *The Economic Times: Corporate Dossier*.

Earlier, Ms. A. Bansal was with McKinsey & Company as a strategy consultant. Based in New York and Mumbai, she consulted with firms in financial services, private equity, industrial, and technology sectors.

**Mr. P. V. Bhide**

Mr. P. V. Bhide, Science and Law graduate from Delhi University, has done his Master's in Business Administration from IGNOU. He is enrolled as an Advocate with Delhi Bar Council. Mr. Bhide joined the Indian Administrative Service in 1973 and has served for 37 years. He held a series of increasingly senior positions at the State and Central levels. He worked as Secretary for Department of Finance and then Department of Energy of Andhra Pradesh. He was a Deputy Secretary / Director in the Department of Economic Affairs, Ministry of Finance and served as Advisor to India's Executive Director to the International Board for Reconstruction and Development, Washington. Mr. Bhide then served as Additional Secretary / Special Secretary in the Ministry of Home Affairs of the Government before being appointed as Secretary in the Department of Divestment with the Ministry of Finance. Mr. P. V. Bhide retired as Secretary, Department of Revenue, Ministry of Finance in January 2010, a position which he held from June 2007. He was appointed as Non-Executive Independent Director of the Company from 28<sup>th</sup> October 2010.

Mr. P. V. Bhide is a Director of Tube Investments India Limited, L&T Finance Limited, Ballarpur Industries Limited, NOCIL Limited, Heidelberg Cement India Limited, L&T Finance Holdings Limited and BILT Graphic Paper Products Limited. He is the Chairman of the Audit Committee of L&T Finance Limited and Ballarpur Industries Limited and the member of the Audit Committee of Heidelberg Cement India Limited and Tube Investments India Limited. He is also the member of the Investors / Shareholders Grievance Committee of Heidelberg Cement India Limited.

**Mr. M. B. Kapadia**

Mr. M. B. Kapadia is a member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India. He has been in the service of the Company since May 1987 and has held increasingly senior positions in the Finance and Secretarial functions. He was elevated to the Board in 1996. He is currently Senior Executive Director in charge of Finance, Company Secretarial and Administration. He has total work experience of 28 years.

Mr. M. B. Kapadia is a Director of Biddle Sawyer Limited which forms part of the GlaxoSmithKline Group Companies in India.

**Mr. R. C. Sequeira**

Mr. R. C. Sequeira is an alumni of Loyola College, Chennai and XLRI, Jamshedpur and has 29 years of experience in the field on Human Resources with large multinational companies in India. He began his HR career in 1984 as a Management Trainee with Union Carbide India Limited and gained employee relations experience in various positions. He was appointed Personnel Manager in 1990. In 1992, he moved to the HSBC Bank where he handled HR for East and West India and headed Resourcing and Development and later he was appointed HR Manager Asia Pacific, based in Hong Kong. Mr. Sequeira has also held the position of Head of Compensation and Employee Relations with HSBC, India. Mr. Sequeira joined Tata Power Company in 2004 as VP and Head of Human Resources with additional charge for the Company's Corporate Social Responsibility function. He was also on the Tata Group's HR steering Committee. He has been in the service of the Company since 2006 and was elevated to the Board in 2007.

He is a Director of Biddle Sawyer Limited which forms part of the GlaxoSmithKline Group Companies in India. He is also a Director in Hill Properties Limited.

**3. Audit Committee**

• Terms of Reference

The terms of reference of this Committee are wide enough to cover the matters specified for audit committee under Clause 49 of the Listing Agreements, as well as in Section 292A of the Companies Act, 1956, and are as follows:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- b) to review with Management the financial statements at the end of a quarter, half year and the annual financial statements before submission to the Board for approval, focusing particularly on:
  - (i) matters required to be included in the Director's Responsibility Statement which form part of the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
  - (ii) changes, if any, in accounting policies and practices and reasons for the same;
  - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
  - (iv) significant adjustments made in the financial statements arising out of audit findings;
  - (v) compliance with listing and other legal requirements relating to financial statements;
  - (vi) disclosure of any related party transactions; and
  - (vii) qualifications in the draft audit report.
- c) to consider the appointment or re-appointment of the statutory auditors, the audit fee, any questions of resignation or dismissal and payment to statutory auditors for any other services rendered by them;
- d) to discuss with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern (in absence of management where necessary);
- e) reviewing, with management, performance of statutory and internal auditors, adequacy of the internal control systems and discuss the same periodically with the statutory auditors, prior to the Board making its statement thereon;
- f) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- g) discussion with internal auditors on any significant findings and follow up thereon;
- h) reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

- i) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
  - j) to review the functioning of the Whistle Blower mechanism, in case the same is existing;
  - k) to review the external auditors' audit reports and presentations and management's response thereto;
  - l) to ensure co-ordination between the internal and external auditors, and to request internal audit to undertake specific audit projects, having informed management of their intentions;
  - m) to consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Company subscribes, or of any related codes, policies and procedures, which could have a material effect on the financial position or contingent liabilities of the Company;
  - n) to review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
  - o) to consider other topics, as defined by the Board;
  - p) to review the following information:
    - i) Management discussion and analysis of financial condition and results of operations;
    - ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
    - iii) Management letters / letters of internal control weaknesses issued by the statutory auditors;
    - iv) Internal audit reports relating to internal control weaknesses; and
    - v) The appointment, removal and terms of remuneration of the Chief Internal Auditor.
- Details of the composition of the Audit Committee and attendance of Members are as follows:

Six Audit Committee meetings were held in 2012. The Committee comprises of Independent and Non-Executive Directors and their meetings were held on 15<sup>th</sup> February, 23<sup>rd</sup> April, 7<sup>th</sup> May, 13<sup>th</sup> August, 9<sup>th</sup> November and 19<sup>th</sup> December 2012.

Name	Designation	Category of Directorship	Attendance out of six meetings held
Mr. D. Sundaram	Chairman	Non-Executive & Independent	6
Mr. D. S. Parekh	Member	Non-Executive	5
Mr. V. Thyagarajan	Member	Non-Executive	4
Mr. P. V. Nayak	Member	Non-Executive & Independent	6
Mr. N. Kaviratne	Member	Non-Executive & Independent	4

The Managing Director, the Finance Director, other Executive Directors, the Statutory Auditors and Internal Auditors are invitees to the meetings.

The Chairman of the Audit Committee, Mr. D. Sundaram, was present at the Annual General Meeting of the Company held on 10<sup>th</sup> April 2012.

#### 4. Remuneration to Directors

A Senior Management Performance Review Committee determines / reviews the remuneration, performance and related bonuses of management / compensation of Executive Directors. The Committee comprises of Independent and Non-Executive Directors.

Independent and Non-Executive Directors other than Directors who are in the employment of the GlaxoSmithKline Group Companies are paid sitting fees of Rs. 10,000 per meeting as remuneration and commission not exceeding in the aggregate 1% of the profits of the Company per annum.

The details of the remuneration paid to the Directors during 2012 are given below:

(Rs. in lakhs)

Executive Directors	Salary	Performance Bonus	Perquisites and Allowances	Contribution to Provident Fund and Superannuation Fund	Total
Dr. H. B. Joshipura	159.27	35.59	69.18	43.00	307.04
Mr. M. B. Kapadia	84.29	29.51	58.97	22.76	195.53
Dr. A. Banerjee (upto 31.07.2012)	34.23	105.07*	154.97**	9.24	303.51
Mr. R. C. Sequeira	46.56	12.13	37.38	12.57	108.64
Mr. R. Krishnaswamy	44.05	22.00	57.56***	11.89	135.50

\* includes additional performance bonus of Rs. 81 lakhs

\*\* includes ex-gratia payment Rs. 52.66 lakhs

\*\*\* includes part payment of sign-on-bonus of Rs. 6 lakhs

(Rs. in lakhs)

Independent Directors and Non-Executive Directors	#Commission	Sitting Fees	Total
Mr. D. S. Parekh	7.00	3.80	10.80
Mr. R. R. Bajaj	5.00	1.20	6.20
Mr. V. Narayanan (upto 09.11.2012)	4.29	1.00	5.29
Mr. P. V. Nayak	5.00	2.00	7.00
Mr. N. Kaviratne	5.00	1.10	6.10
Mr. V. Thyagarajan	5.00	1.20	6.20
Mr. D. Sundaram	5.00	2.10	7.10
Mr. P. V. Bhide	5.00	1.20	6.20
Mr. A. N. Roy	5.00	1.20	6.20

# payable in 2013

Notes:

- The agreement between the Company and each of the Executive Directors is for a period of five years (three years in case of Mr. R. C. Sequeira) or normal retirement date, whichever is earlier. Either party to the agreement is entitled to terminate the agreement by giving not less than three months notice (six months notice in case of Managing Director) in writing to the other party.
- Performance bonus is paid as a percentage of salary, based on certain pre-agreed performance parameters.
- All the Directors of the Company, excluding the Managing Director, Directors in the whole-time employment of the Company and Directors who are in the employment of the GlaxoSmithKline Group Companies are entitled to receive commission collectively up to a maximum of one percent of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 for such period and such amount as may be decided by the Board of Directors from time to time.
- Presently, the Company does not have a scheme for grant of its stock options either to the Executive Directors or employees. However, the Executive Directors and some senior employees of the Company are entitled to Stock Options, Share Value Plan and Performance Share Plan of GlaxoSmithKline plc. During the year, in addition to the above, Dr. H. B. Joshipura, Mr. M. B. Kapadia, Dr. A. Banerjee and Mr. R. C. Sequeira were paid an amount of Rs. 36,07,762, Rs. 25,09,328, Rs. 48,02,626 and Rs. 10,19,700 respectively under the GlaxoSmithKline plc. Share Value Plan and Performance Share Plan.

- e) None of the Directors other than those listed above are paid remuneration.
- f) Mr. D. S. Parekh and Mr. P. V. Nayak hold 612 and 576 shares of the Company, respectively. None of the other Non-Executive Directors hold any shares of the Company.

#### 5. Investors / Shareholders Grievance Committee

The composition of the Investors / Shareholders Grievance Committee is as follows:

Name of the Member	Designation	Category of Directorship
Mr. D. S. Parekh	Chairman	Non-Executive
Mr. R. R. Bajaj	Member	Non-Executive & Independent
Mr. P. V. Bhide	Member	Non-Executive & Independent
Dr. H. B. Joshipura	Member	Executive

#### Name, designation and address of the Compliance Officer:

Mr. Ajay Nadkarni  
 Company Secretary  
 Dr. Annie Besant Road  
 Mumbai-400 030  
 Phone: (022) 2495 9433  
 Fax: (022) 2498 1526  
 Email ID: [ajay.a.nadkarni@gsk.com](mailto:ajay.a.nadkarni@gsk.com)

#### The complaints received during the year are as follows:

Correspondence in the nature of complaints from	Q1	Q2	Q3	Q4	Total
Securities and Exchange Board of India	–	6	3	2	11
Stock Exchanges	–	–	1	–	1
Shareholders	9	14	5	7	35
Total	9	20	9	9	47

During the year, the above complaints regarding non-receipt of shares sent for transfer, demat queries and non-receipt of dividend warrants and annual reports were received from the shareholders, all of which have been resolved. The Company had no transfers pending at the close of the financial year.

#### 6. General Body Meetings

- Details of the location of the last three Annual General Meetings (AGM) and details of the resolutions passed or to be passed by Postal Ballot:

Date	Year	Venue	Time
10 <sup>th</sup> April 2012	2011	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai-400 020	3.00 p.m.
29 <sup>th</sup> March 2011	2010		3.00 p.m.
25 <sup>th</sup> March 2010	2009		3.00 p.m.

All the resolutions, including special resolutions set out in the respective Notices were passed by the shareholders. No Postal Ballots were used for voting at the meeting held during the year under review.

At the forthcoming AGM, there is no item on the agenda that needs approval by Postal Ballot.



## 7. Disclosure

- There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly for its approval.
- Transactions with related parties are disclosed in Note 48 to the financial statements in the Annual Report.
- During the last three years, there were no strictures or penalties imposed by either the Securities and Exchange Board of India or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.
- The Codes of Conduct applicable to all Directors and employees of the Company have been posted on the Company's website. For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said Codes.
- The Company has put in place a Whistle Blower Policy pursuant to which employees of the Company can raise their concerns relating to the fraud, malpractice or any other activity or event which is against the interest of the Company.

## 8. Means of Communication

- The quarterly and half-yearly results are published in widely circulating national and local dailies such as The Economic Times and Business Standard, in English and Maharashtra Times, in Marathi. These are not sent individually to the shareholders.
- The Company's results and official news releases are displayed on the Company's website. The Company's website address is [www.gsk-india.com](http://www.gsk-india.com). The Company had a meeting with and made a presentation to institutional investors and analysts once during the year.
- The Management Discussion and Analysis Report forms a part of this Annual Report.

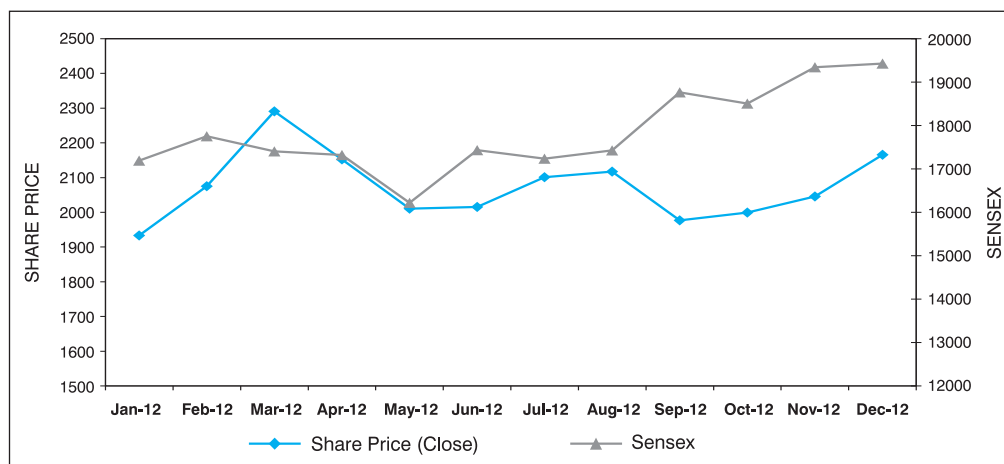
## 9. General Shareholder Information

- AGM: Date, Time and Venue 16<sup>th</sup> April 2013 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Marine Lines, Mumbai-400 020
- Financial Year
  - i) January to December
  - ii) First Quarter Results - First week of May
  - iii) Half-yearly Results - First week of August
  - iv) Third Quarter Results - Second week of November
  - v) Results for the year ending 31<sup>st</sup> December 2013 - February 2014
- Date of Book Closure 8<sup>th</sup> April 2013 to 16<sup>th</sup> April 2013 (both days inclusive)
- Dividend Payment date(s) On or after 17<sup>th</sup> April 2013
- Listing on Stock Exchange The Stock Exchange, Mumbai, and the National Stock Exchange of India Limited. The Company has paid the listing fees for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.
- Stock Code – Physical 500660 on The Stock Exchange, Mumbai  
GLAXO on The National Stock Exchange
- Demat ISIN Number for NSDL and CDSL INE 159A01016

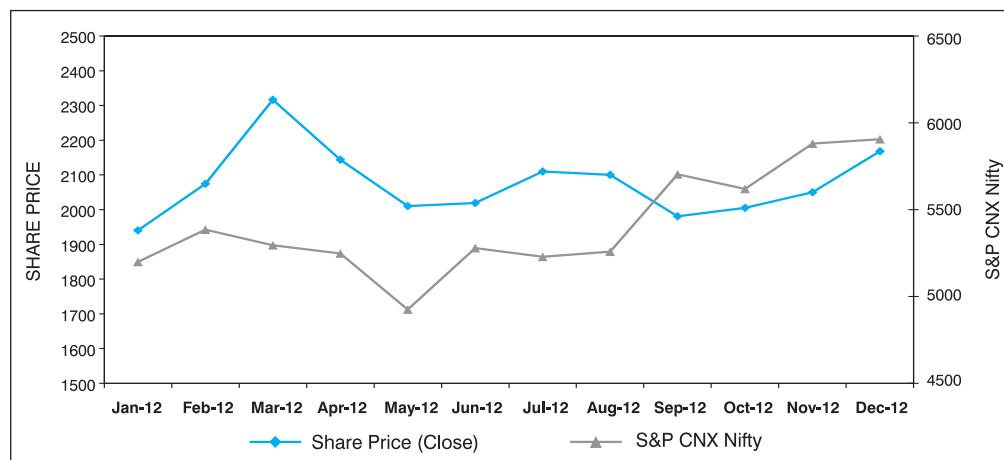
- High / low of market price of the Company's shares traded along with the volumes on The Stock Exchange, Mumbai and on the National Stock Exchange during the calendar year 2012 is furnished below:

Period	BSE			NSE		
	High (Rupees)	Low (Rupees)	Volume (No. of Shares)	High (Rupees)	Low (Rupees)	Volume (No. of Shares)
January 2012	2,005.50	1,918.10	29,665	2,014.40	1,920.00	5,08,819
February 2012	2,149.95	1,924.00	2,71,387	2,147.00	1,926.00	7,68,540
March 2012	2,338.00	2,052.00	52,468	2,360.00	2,047.50	6,44,722
April 2012	2,325.00	2,106.60	23,959	2,333.00	2,117.05	2,85,018
May 2012	2,182.00	1,950.00	29,960	2,182.00	1,950.00	1,71,679
June 2012	2,089.95	1,953.00	4,42,044	2,089.80	1,950.00	5,75,049
July 2012	2,178.00	1,916.00	46,125	2,186.95	2,001.00	5,87,448
August 2012	2,274.00	2,070.00	1,61,560	2,153.00	2,068.90	3,00,124
September 2012	2,280.00	1,933.00	5,00,845	2,280.00	1,925.00	6,98,056
October 2012	2,016.00	1,931.00	32,738	2,024.00	1,801.20	3,52,569
November 2012	2,274.00	1,950.00	49,304	2,282.60	1,975.00	6,65,359
December 2012	2,205.00	2,011.00	1,01,851	2,219.00	2,007.30	10,22,820

- Share Performance of the Company in comparison to BSE Sensex



- Share Performance of the Company in comparison to NSE S&P CNX Nifty



- Equity History

Particulars	No. of shares issued (of Rs. 10 each)	Year of issue
Original Holding	18,00,000	1924
Bonus Issue	2,00,000	1947
Bonus Issue	10,00,000	1962
Bonus Issue	24,00,000	1968
Public Issue	18,00,000	1969
Bonus Issue	36,00,000	1977
Bonus Issue	36,00,000	1980
Public cum Rights Issue	56,00,000	1983
Shares allotted to Group Companies	44,89,800	1993
Rights Issue	53,97,700	1993
Bonus Issue	2,98,87,500	1995
Shares issued pursuant to the amalgamation of SmithKline Beecham Pharmaceuticals (India) Limited (SBPIL) with the Company in the ratio of one share of the Company for every two shares of SBPIL issued on 30 <sup>th</sup> November 2001	1,47,00,000	2001
Shares issued pursuant to the amalgamation of Burroughs Wellcome (India) Limited (BWIL) with the Company in the ratio of fourteen shares of the Company for every ten shares of BWIL issued on 29 <sup>th</sup> October 2004	1,28,47,546	2004
Buy back of equity shares	( 26,19,529)	2005
<b>Total</b>	<b>8,47,03,017</b>	

- List of top ten shareholders of the Company other than Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited who hold 35.99%, 6.94%, 3.97% and 3.77% shares respectively.

Sr. No.	Name of Shareholder	% to Equity
1.	Life Insurance Corporation of India	5.69
2.	Aberdeen Global Indian Equity Fund Mauritius Limited	3.90
3.	Aberdeen Global-Emerging Markets Equity Fund	3.61
4.	The Aberdeen Emerging Markets Institutional Fund	2.70
5.	Aberdeen Global-Asia Pacific Equity Fund	1.58
6.	General Insurance Corporation of India	1.18
7.	Aberdeen Emerging Markets Equity Fund, A Series of The Aberdeen Institutional Commingled Funds, LLC.	0.97
8.	Investeringsforeningen Danske Invest	0.92
9.	Aberdeen Investment Funds Icvc-Aberdeen Asia Pacific Fund	0.80
10.	The Oriental Insurance Company Limited	0.79

- The distribution of shareholding as on 31.12.2012 is as follows:

No. of Equity Shares held	Folios	%	Shares	%
Up to 25	28945	27.42	342474	0.40
26 to 50	17374	16.46	745894	0.88
51 to 100	22288	21.11	1813579	2.14
101 to 500	33985	32.20	6573159	7.76
501 to 1000	2009	1.90	1406784	1.66
1001 to 10000	831	0.79	1810457	2.14
10001 and above	127	0.12	72010670	85.02
Grand Total	105559	100.00	84703017	100.00

- Shareholding pattern as on 31.12.2012 is as follows:

Category	No. of Shares	%
Glaxo Group Limited, U.K.	30485250	35.99
Eskaylab Limited, U.K.	5880000	6.94
Burroughs Wellcome International Limited, U.K.	3360000	3.97
Castleton Investment Limited	3192238	3.77
Insurance Companies, Fls & Banks	8902846	10.51
FIs, NRIs, OCBs	18451582	21.78
Mutual Funds	1699348	2.01
Domestic Companies	697237	0.82
Resident Individuals	11987072	14.15
Others	47444	0.06
Total	84703017	100

- Registrars and Share Transfer Agents

Kary Computershare Private Limited  
Unit: GlaxoSmithKline Pharmaceuticals Limited  
Plot No. 17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad 500 081

Tel No.: 040 - 44655000

Fax No.: 040 - 23420814

Contact Person(s): Mr. M. V. Kameswara Rao /  
Mr. Premkumar Nair

Email ID: [einward.ris@kary.com](mailto:einward.ris@kary.com)

- Share transfer system

All the transfers received are processed by the Registrars and Share Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month or more depending on the volume of transfers. Share transfers are registered and returned within maximum of 18 days from the date of lodgment if documents are complete in all respects.

- Dematerialisation of shares and liquidity

96.78% of the paid-up capital has been dematerialised as on 31.12.2012. Glaxo Group Limited, Eskaylab Limited, Burroughs Wellcome International Limited and Castleton Investment Limited, who jointly hold 50.67% of the paid-up share capital of the Company, hold their shares in the dematerialised form.

- Outstanding GDRs / ADRs / Warrants or any convertible instruments conversion date and likely impact on equity Not issued.
- Plant locations The Company's plant is located at Nashik (Maharashtra).
- Address for correspondence Shareholders' correspondence should be addressed to the Company's Registrars and Share Transfer Agents at the address mentioned above.  
  
Shareholders may also contact Mr. Ajay Nadkarni, Company Secretary, at the Registered office of the Company for any assistance.  
  
Tel. Nos. 2495 9595 Extension 433/434  
  
Email ID : [ajay.a.nadkarni@gsk.com](mailto:ajay.a.nadkarni@gsk.com)  
  
Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

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

To the members of GlaxoSmithKline Pharmaceuticals Limited

We have examined the compliance of the conditions of Corporate Governance by GlaxoSmithKline Pharmaceuticals Limited, for the year ended 31<sup>st</sup> December, 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

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

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

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants  
Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19<sup>th</sup> February, 2013

# Annexure 'C' to the Directors' Report

## Business Responsibility Report

(Pursuant to Clause 55 of Listing Agreements entered into with the Stock Exchanges)

### **About our report:**

GSK, a science-led global healthcare company makes innovative products that are used by millions of people around the world. The products we develop and manufacture and the way we do this contributes directly to the health and well being of patients and consumers, and indirectly to society and the economy. The Company's mission drives us to make a real difference to the lives of millions of people with our commitment to effective healthcare solutions.

Nurturing people and planet is key to the success of a corporation. At GSK, we look at practices that incorporate sustainability into the core of our business to make innovative products. Business responsibility is about our commitment to be open and transparent about our business activities.

Our Business Responsibility Report follows the Securities and Exchange Board of India's (SEBI) proposal and is in accordance with the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'.

In this report, we provide details of the Company in the areas of sustainability, human rights, stakeholder engagement, employees' wellbeing, corporate social responsibility, proactive advocacy and inclusive growth.

### **Governance and Accountability:**

Our commitment to responsible, values-based business underlies everything we do including how we conduct and report our sales and marketing practices. We are building a strong values-based culture. Our actions are backed by robust policies and strong compliance process.

We conduct our business in an ethical way. Our policies on ethics, bribery and corruption cover all our Stakeholders like suppliers, vendors, contractors, NGOs, etc.

Being a part of the global corporation, we have a common Code of Conduct across the globe. This code sets out fundamental standards for all employees. It is supported by the Employees Guide to Business Conduct, which helps employees take ethical decisions and emphasises our values: transparency, respect for people, integrity, and focusing on the patient. Every employee at the time of induction is taken through the code of business conduct and specialised training is provided for employees working in manufacturing, sales and marketing, where there are additional requirements. In addition, all managers and employees are required to confirm their compliance with the code on an annual basis.

We market our prescription medicines and vaccines to healthcare professionals, hospitals and government. Our policies and updated Global Code of Practice for Promotion and Customer Interactions prescribe the nature of our practises and prohibits specifically those which are unethical. This code as the name suggests is applicable worldwide. Our regional and local policies, standard operating procedures and other codes provide additional guidance to employees. Additionally, we are signatory to the OPPI (Organisation of Pharmaceuticals Producers in India) code of marketing conduct. This is available online on their site <http://www.indiaoppi.com/>.

A strong grievance redressal body and supportive ecosystems ensure sufficient mechanism to enable a culture of disclosure. In addition, specific process and mechanisms to facilitate reporting of unethical conduct or violation of laid down guidelines as well as for protection of employees that report unethical conduct are in place.

### **Sustainable products and services:**

Brand GSK through its products and services touches the lives of millions of patients every day. To protect the interest of our patients, we aim to work with responsible suppliers who meet the same quality, social and environmental standards as GSK and its affiliates worldwide.

For us the interest of patients comes first at every stage from development until the final distribution.

Being a global company, GSK's most products are approved by major international regulators like USFDA, UKMHRA. This is apart from the mandatory regulatory approvals required in India endorsing the safety of the product.

The Company is looking at reducing the carbon footprint by 10% in 2020 and by 25% in 2050. To this end the company is conducting an audit both internally as well as with vendors of the manufacturing process, usage of materials, etc.

Significant proportion of our product ingredients and packaging material is sourced locally from third party manufacturers belonging to Micro, Small and Medium Enterprises. A qualified team is in place to build capacity and capability, to educate and raise the standard of these vendors.

All these vendors have to go through the GSK Audit and Approval process which are based on global guidelines. Our special quality team supports / trains and guides these vendors to ensure that these vendors have infrastructure, facilities, systems and controls in line with GSK's global standards. In addition there are continuing periodic quality audits to ensure that the manufacturing processes both internally as well as with vendors remain compliant with our quality standards. These are over and above the specific quality checks with respect to each batch of finished products as well as input raw materials.

Some of our products where in we have incorporated social or environmental concerns are: Seretide Evohaler – product was changed to include CFC free propellant which is more environment friendly.

As our products are related to health, we cannot recycle our products. However, there is a mechanism to segregate the waste and given to the authorized vendor for recycling wherever appropriate. We reuse some paper packaging material.

We follow the GMP guidelines with respect to our product packaging. On all our products we do have barcodes and other features to avoid pilferage. For one of our product we have started this unique QR code to validate the authenticity of the product. This feature has been introduced this year for the first time as an anti-counterfeit measure.

#### **Employees' wellbeing:**

Our employment practices are designed to create a work place culture in which all GSK employees feel valued, respected, empowered and inspired to achieve our goals. Our aim is to create an inclusive environment, engaging working environment that empowers employees to contribute and help us achieve our strategic business objectives. Our policies for our employees conform to GSK global standards as well as comply with the laws of the land.

We want GSK to be an employer of choice. To achieve this we invest significantly in developing employees at every level from people in their early careers to those in senior management positions. We offer all our employees a range of learning opportunities and tailored development programmes. Our talent management process focuses on building talent at various levels. Due to our plan on exporting talent, there has been a considerable rise in the number of employees moving on international assignments.

For our employees, to achieve sustainable high performance, we focus on developing leadership and coaching skills. A carefully planned Learning & Development calendar was created and implemented. To embed the culture of coaching, 'Practical Coaching at Workplace' programme was launched covering first and second line managers respectively. We continue to lay strong emphasis on Sales Training for our field force, both at induction and through refresher programmes to accredit the front line sales persons.

We are committed to making employment at GSK accessible to people with disabilities and increasing the proportion of women. To read more about our recruitment process log on to - <http://www.gsk.com/careers/why-gsk.html>

Emotional and mental health and the ability to cope with pressure are just as important as physical well being. Our Wellness and Wellbeing programme provides GSK employees with access to counselling and mental health and guidance on their day-to-day issues of life.

We have a total of 4706 employees working with GSK of which 332 employees are temporary / contractual basis, 584 women employees and 1 permanent employee with disability.

There are four recognised unions – zonal based – North, East, West and South to address the grievances of employees working in the field. Apart from the field force, the union in the west also represents employees working at Nashik site and the clerical staff at Worli.

#### **Stakeholder engagement:**

We engage with our direct and indirect stakeholders. This engagement enables us to keep in touch with the views and opinions of the societies in which we operate. It helps us to identify important issues and shape our responses in the interest of our shareholders and wider society. Some of the ways we engage with our stakeholders is outlined here.

## Stakeholder examples of how we engage:

### Healthcare professionals (HCPs)

- Sales representative meetings
- Interactions during clinical studies and at conferences
- Engagement with professional organizations

### Patients

- Market research to understand patient needs

### Governments and regulators

- Our public policy work
- Input to policy makers based on our global experience on key issues such as health care

### Investors

- Meetings with investors

### Employees

- Regular employee surveys
- Consultation with employee representatives on changes to the business

### Local communities

- Our community development programmes

### Non-governmental organizations

- Partnering in community for Engagement development programmes.

### Suppliers

- Global and regional supplier review meetings
- Meetings for diverse suppliers

### Peer companies

- Pharmaceutical industry organisation meetings
- Joint projects such as the Pharmaceutical Supply Chain Initiative

## Human rights:

GSK conforms to national laws as well as the global GSK policies. We comply and adhere to all the human rights laws and guidelines of the Constitution of India, national laws and policies and the content of the International Bill of Human Rights.

We have most direct control over human rights in our own operations and aim to act responsibly across all our spheres which includes our employees, suppliers, local communities and society more broadly.

### Our approach to human rights

**Employees** – Our employment standards, which cover issues such as diversity, equal opportunities and health and safety, protect employees' human rights.

**Suppliers** – Our Third Party Code of Conduct requires suppliers, contractors and business partners to meet GSK standards for ethical standards and human rights. Environmental, Health and Safety (EHS) audits help us identify potential breaches of our human rights clauses.

**Communities** – GSK aims to have good relationships with all the communities around our sites and to operate in ways that do not infringe their human rights.

**Society** – We can have an influence on human rights beyond our own operations. Our efforts to improve access to healthcare support society more broadly fulfil its right to health.

Read more online - our positions including:

- Our Human Rights Statement
- GSK on the Convention on Biological Diversity

Search for public policies on [www.gsk.com](http://www.gsk.com)



**Environment:**

We are implementing an environmental sustainability strategy across our entire value chain – from raw materials to product disposal. The strategy focuses on carbon dioxide and other emissions that contribute to climate change, water use, waste reduction, and environmental stewardship – which covers the other impacts of our materials and products.

Our policy on environment conforms to local laws as well as GSK's global standards. Various initiatives for energy efficiency and renewable energy were undertaken at our Nashik site.

- The site has achieved 7% reduction in specific energy consumption and carbon footprint (Gigajoules / million pack) compared to 2011.
- Installation of a variable frequency drive of 1000KW on the air compressor has helped to reduce the power consumption by 50000Kwh / Year
- The site is working on specific initiatives to reduce the consumption of fossil fuels as well as carbon footprint. A specific project has been initiated to modify the existing boiler operations by using briquettes (bagasse). This will reduce the CO<sub>2</sub> emissions by 1500 tons / year. The project is expected to be completed in 2013.
- Continued efforts for monitoring of noise levels, recycling of waste and monitoring of gaseous emissions from the boiler have helped sustain a high level of energy efficiency.
- Solar hot water systems for use in canteen.

The emissions generated by the Company are within limit specified by Maharashtra Pollution Control Board. No show cause notice or warning letter issued by Maharashtra Pollution Control Board.

With regard to waste management, our waste is segregated and given to authorized vendors for recycling wherever appropriate. Treated site affluent is used for site gardening. Site has zero discharge of ETP.

We publish our positions online including:

- Climate change
- The impact of climate change on health
- Genetically modified micro-organisms and EHS
- Pharmaceuticals in the environment
- Ozone depletion and metered-dose inhalers for asthma
- Ozone depleting substances in plant and equipment

<http://www.gsk.com/reports-and-publications.html?tab=tabpublic-policies>

**Public policy and patient advocacy:**

GSK is a member of various industrial and trade bodies like CII, Mumbai Chamber of Commerce, OPPI and PHRMA. We are part of various task forces and forum within these chambers and work closely with the industry bodies in devising strategies for improving healthcare in the country as well for providing input into public policy with respect to the same.

**Inclusive growth:**

Our community development projects are focused in the area of facilitating healthcare, education and sustainable livelihoods to the underserved and underprivileged targeting women, children and the elderly as appropriate. The objective of these initiatives is to catalyse change and to improve service levels in these areas. This is done through working with pre-screened NGOs.

The programmes we support are designed to have a long term, sustainable impact. We set ambitious commitment and work with experienced partners.

We also encourage employees to get involved as volunteers through our Orange Day and PULSE initiatives. Orange Day is a one day employee volunteering initiative while PULSE is a global volunteering initiative which gives an employee a chance to spend 3 to 6 months of his time working with an NGO.

For the year 2011, the Company's net profit after tax was Rs. 430.60 crores and investment on social commitment for the year 2012 was Rs. 2.78 crores or 0.64 percent of the Net Profit. Our product donation (at cost) were Rs. 1.92 Lakhs.

Among the various projects, GSK is currently working on a project which can be adopted by the community. We are doing a pilot study under the project named "Strengthening Immunization in Mumbai Slums (SIMS)". It is a collaborative pilot project of GlaxoSmithKline, with technical support from PATH, implemented by Committed Communities Development Trust (CCDT) in coordination with Municipal Corporation of Greater Mumbai (MCGM).

The objective of the project was to design Web based information system to review data as per the requirement of the health post staff and make an action plan to have 100 percent coverage of children for routine immunization.

This project covered a population of 5 lakh in 5 health post of Deonar, Pathanwadi, Appapada, Mankhurd and Squatters colony. Through the use of this system and its MIS, coverage increased from 34% to 51% among the eligible children of 0-2 years of age.

To read about our projects – log on to - <http://www.gsk-india.com/corporate-index.html>

**Patient engagement:**

Patient is at the heart of our business. They are the most important stakeholders. We are actively seeking new ways of delivering healthcare and making our products more available and affordable to people who need them, wherever they live.

In our effort to expand access to our products we have led the industry in adopting a flexible pricing approval to pricing our medicines and vaccines based on a country's ability to pay. This has resulted in significant reduction in prices, representing a good outcome for the patients.

We follow national and international standards with respect to product safety and code of engaging with customers.

On our product packaging, we provide all the information as mentioned in Cosmetic Drugs Rule 1996. As a part of grievance redressal, customer care no. and email id are provided along with the usage leaflet.

From a quality perspective only four cases are pending where our response is awaited. Seven consumer cases are pending against us.

**Conclude:**

Our first Business Responsibility Report discloses details related to our sustainability commitments and management approach across the dimension for fiscal 2012.

**Contact:**

Mr. Raju Krishnaswamy, Executive Director is responsible for implementation of the Business Responsibility policies. His details:

DIN No.: 03043004

Tel.: +9122 24959650

Email: [raju.x.krishnaswamy@gsk.com](mailto:raju.x.krishnaswamy@gsk.com)

The Company's CIN No.: L24239MH1924PLC001151

# Auditors' Report

## TO THE MEMBERS OF GLAXOSMITHKLINE PHARMACEUTICALS LIMITED

1. We have audited the attached Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the "Company") as at 31<sup>st</sup> December, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on 31<sup>st</sup> December, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> December, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2012;
    - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse & Co., Bangalore  
Firm Registration Number: 007567S  
Chartered Accountants

Asha Ramanathan  
Partner

Membership Number: 202660

Mumbai, 19<sup>th</sup> February, 2013

## Annexure To Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of GlaxoSmithKline Pharmaceuticals Limited on the financial statements for the year ended 31<sup>st</sup> December, 2012]

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets, other than the situation of certain plant and equipment, furniture and office equipment, for which the situation recorded, is the location of the Company's different establishments.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory excluding materials in transit has been physically verified by the Management during the year. Further a major portion of inventory lying with third parties has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of clauses 4(iii)(b),(c) and (d) of the said Order are not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of clauses 4(iii)(f) and (g) of the said Order are not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of income tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, wealth tax, sales tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth-tax and customs duty which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax and excise duty as at 31<sup>st</sup> December, 2012 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount* Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
The Income-tax Act, 1961	Income-tax including interest, as applicable	12,38.27	Assessment Years 2007-2008 and 2008-2009	Appellate Authority – up to Commissioner's level
		2,86.79	Assessment Year 1990-1991 and 1999-2000	Tribunal
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Sales tax including interest and penalty, as applicable	17,70.63	Several demands pertaining to the period 1983-1984 and 1988 to 2010	Appellate Authority – up to Commissioner's level

Name of the statute	Nature of dues	Amount* Rs. in lakhs	Period to which the amount relates	Forum where the dispute is pending
The Finance Act, 1994  The Central Excise Act, 1944	Service tax  Excise duty including interest and penalty, as applicable	3,16.51	Several demands pertaining to the period 1990-1991, 1998-1999, 1999-2000 and 2001-2002 to 2005-2006	Tribunal
		92.06	Several demands pertaining to the period 1990-1991, 1994-1996, 1999-2000 and 2001-2002	The High Court of Judicature at Allahabad, Lucknow, Punjab and Haryana and Kerala
		1,29.20	January 2001 to December 2002	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
		2,63.82	Several demands pertaining to the period March 1992 to November 1998, July 2007 to November 2007 and January 2011 to December 2011	Appellate Authority – up to Commissioner's level
		2,89.17	Several demands pertaining to the period October 1994 to January 1995, September 1996 to September 2002 and November 2003 to January 2007	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
		30.12	1977 to 1980	The High Court of Judicature at Bombay

\*Net of amounts paid including under protest.

10. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Order are not applicable to the Company.
13. As the provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.
16. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.
19. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.
20. The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse & Co., Bangalore  
Firm Registration Number: 007567S  
Chartered Accountants  
Asha Ramanathan  
Partner  
Membership Number: 202660

Mumbai, 19<sup>th</sup> February, 2013



## Statement of Profit and Loss for the year ended 31st December, 2012

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
Sale of products .. .. .		2669,97.28	2391,73.39
Excise duty .. .. .		(70,04.18)	(53,69.99)
Sale of products (net) .. .. .		2599,93.10	2338,03.40
Other operating revenue .. .. .		30,37.21	37,84.70
Revenue from operations .. .. .	29	2630,30.31	2375,88.10
Other Income .. .. .	30	193,47.86	159,62.29
<b>TOTAL REVENUE .. .. .</b>		<b>2823,78.17</b>	<b>2535,50.39</b>
Cost of materials consumed .. .. .	31	437,80.90	431,23.54
Purchases of traded goods .. .. .	32	607,45.49	533,36.71
Changes in inventories of finished goods, work-in-progress and traded goods .. .. .	34	52,58.64	(56,09.05)
Employee benefits expense .. .. .	35	295,51.55	278,36.31
Depreciation expense .. .. .	11	17,83.93	20,40.78
Other expenses .. .. .	36	417,80.01	406,62.32
<b>TOTAL EXPENSES .. .. .</b>		<b>1829,00.52</b>	<b>1613,90.61</b>
Profit before exceptional items and tax .. .. .		994,77.65	921,59.78
Exceptional Items .. .. .	41	(148,21.70)	(322,54.14)
Profit before Tax .. .. .		846,55.95	599,05.64
Tax expense:			
Current tax .. .. .		294,37.55	180,67.74
Deferred tax .. .. .		(25,07.49)	(5,07.07)
Fringe benefits tax – write back of provision for earlier years .. .. .		—	(7,15.45)
Net Profit .. .. .		577,25.89	430,60.42
Earnings per equity share (basic and diluted) (Rs.) .. .. .	51		
Face value Rs. 10 each .. .. .		68.15	50.84

The accompanying notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

## Cash Flow Statement for the year ended 31st December, 2012

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items .. .. .	994,77.65	921,59.78
<i>Adjustments for :</i>		
Provision written back as no longer required .. .. .	(3,02.52)	(14,60.97)
Profit on sale / disposal of tangible assets (net) .. .. .	(18.30)	(87.84)
Interest income .. .. .	(171,81.28)	(141,95.03)
Dividend income .. .. .	(22,00.00)	(18,00.00)
Interest expense .. .. .	33.42	32.74
Provision / write off for doubtful debts, loans and advances (net) .. .. .	4,62.25	1,09.27
Depreciation .. .. .	17,83.93	20,40.78
Unrealised foreign currency (loss) / gain .. .. .	4.35	(11.28)
<b>Operating profit before working capital changes .. .. .</b>	<b>820,59.50</b>	<b>767,87.45</b>
<i>Adjustments for :</i>		
Inventories .. .. .	47,13.78	(51,45.00)
Trade Receivables .. .. .	(32,53.75)	(39,37.78)
Short-term loans and advances .. .. .	(7,05.45)	7,90.57
Other current assets .. .. .	53.25	40.53
Other non-current assets .. .. .	19.32	(21.60)
Long-term loans and advances .. .. .	(12,14.83)	(5,28.62)
Trade payables .. .. .	34,18.82	9,70.98
Provisions .. .. .	(2,33.27)	13,70.02
Other current liabilities .. .. .	6,21.92	(8,85.56)
Other long-term liabilities .. .. .	(3.14)	(59.31)
<b>Cash generated from operations .. .. .</b>	<b>854,76.15</b>	<b>693,81.68</b>
Direct taxes paid (net of refunds) (including fringe benefits tax) .. .. .	(313,80.59)	(309,29.90)
<b>Cash flow before exceptional items .. .. .</b>	<b>540,95.56</b>	<b>384,51.78</b>
<i>Exceptional items:</i>		
Payments under Voluntary Retirement Scheme .. .. .	(91,12.19)	(9,12.62)
Payment of deposits for pricing matters .. .. .	(136,82.00)	(53,10.77)
Non recurring expenses for merger / rationalisation initiatives .. .. .	(19,38.50)	(72.21)
<b>Net cash generated from operating activities .. .. .</b>	<b>293,62.87</b>	<b>321,56.18</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets .. .. .	(39,07.63)	(42,53.70)
Sale of tangible fixed assets .. .. .	33.51	2,45.60
Sale / redemption of current investments .. .. .	57,00.00	—
Investment in bank deposits (having original maturity more than 3 months)	(2219,75.00)	(1693,00.00)
Redemption / Maturity of bank deposits (having original maturity more than 3 months)	1929,00.00	1953,25.00
Interest received .. .. .	157,91.48	130,30.81
Dividend received .. .. .	22,00.00	18,00.00
<b>Net cash (used in) / from investing activities .. .. .</b>	<b>(92,57.64)</b>	<b>368,47.71</b>



## Cash Flow Statement (Contd.)

	Rupees in lakhs	Previous year Rupees in lakhs
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings .. .. .	(31.19)	(25.67)
Interest paid .. .. .	(33.42)	(61.21)
Dividend paid .. .. .	(378,15.44)	(337,66.77)
Tax on distributed profit .. .. .	(58,26.53)	(53,28.28)
<b>Net cash used in financing activities .. .. .</b>	<b>(437,06.58)</b>	<b>(391,81.93)</b>
	<b>C</b>	
<b>Net increase in cash and cash equivalents .. .. .</b>	<b>(236,01.35)</b>	<b>298,21.96</b>
	<b>(A+B+C)</b>	
Cash and cash equivalents as at 1st January, 2012 (opening balance) ..	373,08.44	74,86.48
Cash and cash equivalents as at 31st December, 2012 (closing balance) ..	137,07.09	373,08.44
<b>Net increase / (decrease) in cash and cash equivalents .. .. .</b>	<b>(236,01.35)</b>	<b>298,21.96</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash on hand .. .. .	3.95	3.72
Cheques on hand .. .. .	13,70.52	—
Term deposits with original maturity period of less than three months ..	56,08.00	321,46.00
Balances with banks .. .. .	50,45.13	37,84.49
Unpaid dividend accounts .. .. .	16,75.31	13,74.40
Unrealised (loss) / gain .. .. .	4.18	(0.17)
<b>Total cash and cash equivalents .. .. .</b>	<b>137,07.09</b>	<b>373,08.44</b>
2. Other Bank balances include:		
Term deposits with original maturity period of more than three months ..	<b>1901,75.00</b>	<b>1611,00.00</b>
3. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.		

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

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

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

## GENERAL INFORMATION

GlaxoSmithKline Pharmaceuticals Limited ('the Company') is a public limited company and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company is engaged inter alia, in the business of manufacturing, distributing and trading in pharmaceuticals.

## 1 STATEMENT OF ACCOUNTING POLICIES

### (a) Basis for preparation of accounts

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India and the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

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

### (b) Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

Depreciation is provided on the straight-line method over the useful life of the assets as under:

Buildings	29 years
Plant and Equipment other than Gas Installations	10 years
Gas Installations	6 years
Personal Computers and Laptops	3 years
Other Computer Equipment	4 years
Furniture and Fixtures	10 years
Office Equipment	10 years
Vehicles	4 years

Depreciation on capital projects of Rs. 100 lakhs or more is provided pro-rata for the number of months availability for use and for other assets for the full year. Depreciation on sale / disposal of assets is provided pro-rata up to the end of the month of sale / disposal.

An asset purchased on or after 1st April, 1993 and where the actual cost does not exceed Rs. 5,000 (other than on turnkey contracts) is depreciated at the rate of 100%.

Leasehold land is not amortised.

Leasehold improvements are amortised over the period of the lease.

Assets that have been retired from active use and held for disposal and Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value/salvage value, and are shown separately in the Financial Statements.

### (c) Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is done at each balance sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

### (d) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current investments are stated at lower of cost and fair value. The premium on account of investments in debentures/bonds and Government of India Securities held as long-term investments is recognised over the life of the security.

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non current investments.

### (e) Provisions and Contingent Liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. A provision is not discounted to its present value and is determined based on the best estimate required to settle the obligation at the year end date. These provisions are reviewed at each year end date and adjusted to reflect the best current estimate.

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

### (f) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on first-in first-out basis. The cost of work-in-progress (other than those lying at third party manufacturing sites which is valued at material cost) and finished goods comprises of raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

### (g) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and demand deposits with banks with original maturities of three months or less.

## Notes to the Financial Statements for the year ended 31st December, 2012 — *continued*

- (h) Revenue Recognition  
 Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts and sales tax.  
 Interest on investments is recognised on a time proportion basis taking into account the amounts invested and the rate of interest.  
 Dividend income on investments is recognised for when the right to receive the payment is established.
- (i) Foreign Currency Transactions  
 Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Profit and Loss.
- (j) Proposed Dividend  
 Dividend proposed by the Board of Directors is provided for in the books of account pending approval at the Annual General Meeting.
- (k) Research and Development  
 Revenue expenditure on research and development is recognised as expense in the year in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.
- (l) Excise Duty  
 The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of Central Value Added Tax (CENVAT) credits in respect of materials consumed for sales is deducted from cost of materials consumed.
- (m) Long-term Incentive  
 In terms of a long-term incentive plan, the eligible members of the senior management are entitled to receive an incentive payment at the end of a three year 'restricted period', provided they remain in continuous employment with the Company for the aforesaid period. The value of such incentive is based on the price of shares of GlaxoSmithKline plc, U.K. An amount equal to one-third of the aggregate approximate value of the incentive is recognised as expense each year based on the fair value of such shares.
- (n) Taxes on Income  
 Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and deferred tax liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.
- (o) Employee Benefits
- (i) Long-term Employee Benefits  
 In case of Defined Contribution plans, the Company's contributions to these plans are charged to the Statement of Profit and Loss as incurred.  
 Liability for Defined Benefit plans is provided on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used for measuring the liability for Gratuity and Post Retirement Medical is Projected Unit Credit method. The obligations for Gratuity and Post Retirement Medical are measured as the present value of estimated future cash flows discounted at rates reflecting the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors. The expected rate of return of plan assets is the Company's expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. Plan assets are measured at fair value as at the Balance Sheet date.  
 Provident Fund contributions are made to a Trust administered by the Company. The actuarial valuation method, carried out by an independent actuary, used for measuring the liability for Provident Fund is Projected Accrued Benefit method. This approach determines the present value of the interest rate guarantee under three interest rate scenarios: base case scenario, rising interest rate scenario and falling interest rate scenario. The Defined Benefit Obligation of the interest rate guarantee is set equal to the average of the present values determined under these scenarios in respect of accumulated provident fund contributions as at the valuation date.  
 The liability for leave encashment and compensated absences is provided on the basis of valuation, as at Balance Sheet date, carried out by an independent actuary.
- (ii) The expenditure on voluntary retirement schemes is charged to the Statement of Profit and Loss in the year in which it is incurred.
- (iii) Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised in the Statement of Profit and Loss in the year in which they arise.
- (p) Earnings Per Share  
 Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.  
 The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

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

### 2 SHARE CAPITAL

#### AUTHORISED

9,00,00,000 equity shares of Rs. 10 each	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						90,00.00	90,00.00

#### ISSUED

8,47,07,710 equity shares of Rs. 10 each, fully paid up	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						84,70.77	84,70.77

#### SUBSCRIBED AND PAID-UP

8,47,03,017* equity shares of Rs. 10 each, fully paid up	..	..	..	..	..	Rupees in lakhs	Previous year Rupees in lakhs
						84,70.30	84,70.30

\* excludes 4,693 equity shares of Rs. 10 each of the Company (3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited) held in abeyance.

	As at 31st December, 2012		As at 31st December, 2011	
	Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
(a) Reconciliation of the number of shares :				
Balance at the beginning of the year	..	..	84,703,017	84,70.30
Issued during the year	..	..	—	—
Balance at the end of the year	..	..	84,703,017	84,70.30

#### (b) Rights, preferences and restrictions attached to equity shares :

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

#### (c) Shares held by subsidiaries of ultimate holding company in aggregate :

	Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
Equity shares of Rs. 10 each (representing 50.67% of total shareholding)..	42,917,488	42,91.75	42,917,488	42,91.75

#### (d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company:

	Number of Shares	% Shareholding	Number of Shares	% Shareholding
Glaxo Group Limited, U.K	30,485,250	35.99%	30,485,250	35.99%
Eskaylab Limited, U.K.	5,880,000	6.94%	5,880,000	6.94%
Life Insurance Corporation of India	4,822,848	5.69%	4,822,669	5.69%

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

### 3 RESERVES AND SURPLUS

						Rupees in lakhs			
						As at 31st December 2011	Additions	Deductions	As at 31st December 2012
Capital Reserve	..	..	..	..		1,65.51	—	—	(b) 1,65.51
Capital Redemption Reserve	..	..	..	..		2,61.95	—	—	(c) 2,61.95
General Reserve	..	..	..	..		720,36.57	(a) 57,72.59	—	778,09.16
						<u>724,64.03</u>	<u>57,72.59</u>		<u>782,36.62</u>
Surplus in Statement of Profit and Loss	..	..	..	..		1110,59.15	577,25.89	(544,90.44)	1142,94.60
Balance as at the beginning of the year	..				1110,59.15				
Profit for the year as per Statement of Profit and Loss	..	..	..	..	577,25.89				
Less : Appropriations :									
Proposed Dividend	..	..	..		(423,51.50)				
Tax on distributed profit	..	..	..		(63,66.35)				
Transfer to General Reserve	..	..	..		(57,72.59)				
Balance as at the end of the year	..				1142,94.60				
						<u>1835,23.18</u>	<u>634,98.48</u>	<u>(544,90.44)</u>	<u>1925,31.22</u>

(a) Transfer from Surplus in Statement of Profit and Loss.

(b) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(c) On account of buy back of equity shares.

### 4 LONG TERM BORROWINGS

		Rupees in lakhs	Previous year Rupees in lakhs
Interest free sales tax loan from SICOM Limited..	..	4,14.24	4,59.33
		<u>4,14.24</u>	<u>4,59.33</u>
	TOTAL ..		

#### Terms of repayment

Interest free Sales Tax Loan from SICOM Limited as at 31st December, 2012 of Rs. 4,59.33 lakhs (Previous year – Rs. 4,90.52 lakhs) includes Rs. 20.94 lakhs (Previous year – Rs. 42.78 lakhs) availed under the 1988 Sales Tax deferment Scheme repayable in three installments, closing on 31st January, 2014 and Rs. 4,38.39 lakhs (Previous year – Rs. 4,47.74 lakhs) under the 1993 Sales Tax deferment Scheme repayable in twenty nine instalments closing on 30th April, 2021. The current maturity amount of Rs. 45.09 lakhs (Previous year – Rs. 31.19 lakhs) of the loan has been disclosed under Note 8 – Other Current Liabilities.

Notes to the Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs	Previous year Rupees in lakhs
<b>5 OTHER LONG TERM LIABILITIES</b>		
Deposits received .. .. .	4,96.72	4,99.86
TOTAL ..	<u>4,96.72</u>	<u>4,99.86</u>
<b>6 LONG TERM PROVISIONS</b>		
For Pricing matters (Refer Note 23) .. .. .	128,34.05	128,34.05
For employee benefits :		
Gratuity .. .. .	17,20.53	15,88.96
Leave encashment and compensated absences .. .. .	25,84.22	23,00.15
Post retirement medical and other benefits .. .. .	34,19.75	27,74.83
For long-term incentive plan .. .. .	4,28.18	2,76.39
For divestment / restructuring .. .. .	16,58.97	17,23.85
For others .. .. .	8,33.59	8,57.55
TOTAL ..	<u>234,79.29</u>	<u>223,55.78</u>
<b>7 TRADE PAYABLES</b>		
Sundry creditors :		
Micro and Small enterprises (Refer Note 26) .. .. .	2,59.00	1,25.40
Others .. .. .	229,93.92	197,08.70
TOTAL ..	<u>232,52.92</u>	<u>198,34.10</u>
<b>8 OTHER CURRENT LIABILITIES</b>		
Current Maturity of Long Term Borrowings :		
Interest free sales tax loan from SICOM Limited (Refer Note 4) .. .. .	45.09	31.19
Subsidiary company .. .. .	1,59.05	1,16.56
Unpaid dividends* .. .. .	16,75.31	13,74.40
Salaries, wages and bonus payable .. .. .	32,05.77	25,53.90
Statutory dues including provident fund and tax deducted at source .. .. .	19,26.22	15,25.10
Creditors for capital goods .. .. .	4,50.75	1,38.49
Rationalisation relating to a manufacturing site .. .. .	9,93.37	—
Other Payables .. .. .	6,23.56	10,97.12
TOTAL ..	<u>90,79.12</u>	<u>68,36.76</u>

\* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

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

### 9 SHORT TERM PROVISIONS

	Rupees in lakhs	Previous year Rupees in lakhs
For proposed equity dividend .. .. .	423,51.50	381,16.35
For tax on distributed profit .. .. .	68,70.47	63,30.65
For Pricing matters (Refer Note 23) .. .. .	—	136,82.00
For employee benefits :		
Gratuity .. .. .	39.65	1,92.55
Leave encashment and compensated absences .. .. .	1,69.00	1,15.40
Post retirement medical and other benefits .. .. .	2,33.05	2,12.06
For long-term incentive plan .. .. .	2,01.37	1,94.12
For rationalisation relating to a manufacturing site .. .. .	12,74.50	—
For other short-term provisions (including statutory levies) .. .. .	1,03.30	2,84.39
TOTAL .. .. .	<u>512,42.84</u>	<u>591,27.52</u>

### 10 MOVEMENT IN PROVISIONS

	Rationalisation relating to a manufacturing site	Pricing matters	Long-term Incentive Plan	Divestment / Restructuring	Others
	2012				
Opening Balance .. .. .	—	265,16.05	4,70.51	17,23.85	11,41.94
Provision during the year .. .. .	12,74.50	—	3,90.42	—	74.68
Amounts utilised / reversed during the year .. .. .	—	136,82.00	2,31.38	64.88	2,79.73
Balance at the year end .. .. .	12,74.50	128,34.05	6,29.55	16,58.97	9,36.89
	2011				
Opening Balance .. .. .	—	29,51.23	3,06.43	17,41.51	11,36.91
Provision during the year .. .. .	—	300,54.82	3,33.16	—	1,44.93
Amounts utilised/reversed during the year .. .. .	—	64,90.00	1,69.08	17.66	1,39.90
Balance at the year end .. .. .	—	265,16.05	4,70.51	17,23.85	11,41.94

### 11 FIXED ASSETS

	Rupees in lakhs									
	Gross block (at cost)			Depreciation				Net block		
	As at 31st December 2011	Additions	Deductions (b)	As at 31st December 2012	As at 31st December 2011	For the Year	On Deductions	As at 31st December 2012	As at 31st December 2012	As at 31st December 2011
<b>TANGIBLE ASSETS</b>										
Freehold land	20.81	—	16.30	4.51	—	—	—	—	4.51	20.81
Leasehold land	44.27	—	—	44.27	—	—	—	—	44.27	44.27
Freehold buildings (a)	28,06.99	—	13,01.79	15,05.20	14,37.38	36.42	6,71.13	8,02.67	7,02.53	13,69.61
Leasehold buildings	36,31.15	35.72	—	36,66.87	17,69.89	1,12.14	—	18,82.03	17,84.84	18,61.26
Plant and equipment	165,15.42	11,18.37	4.37	176,29.42	108,04.79	12,87.00	4.08	120,87.71	55,41.71	57,10.63
Furniture and fixtures	27,87.10	77.40	2.00	28,62.50	22,34.99	1,63.19	1.67	23,96.51	4,65.99	5,52.11
Vehicles	8,13.69	2,02.83	1,06.56	9,09.96	5,93.04	1,55.38	93.85	6,54.57	2,55.39	2,20.65
Office Equipment	5,46.63	39.07	4.80	5,80.90	4,12.76	29.80	2.63	4,39.93	1,40.97	1,33.87
TOTAL	271,66.06	14,73.39	14,35.82	272,03.63	172,52.85	17,83.93	7,73.36	182,63.42	89,40.21	99,13.21
Previous year	318,39.96	24,67.59	71,41.49	271,66.06	209,46.65	20,40.78	57,34.58	172,52.85	89,40.21	99,13.21

Note:

(a) Freehold buildings include investments representing ownership of residential flats (Refer Note 27).

(b) Deductions include Tangible Assets held for sale shown under 'Other Non Current Assets' (Refer note 15) : gross block Rs. 13,19.62 lakhs, accumulated depreciation Rs. 6,72.37 lakhs and net block Rs. 6,47.25 lakhs (Previous year – gross block Rs. 25,67.49 lakhs, accumulated depreciation Rs. 20,30.36 lakhs and net block Rs. 5,37.13 lakhs).

Notes to the Financial Statements for the year ended 31st December, 2012 — continued

**12 NON-CURRENT INVESTMENTS**

(VALUED AT COST UNLESS OTHERWISE STATED)

**TRADE**

**IN EQUITY INSTRUMENTS**

**Unquoted**

Biotech Consortium India Limited

50,000 Equity Shares of Rs. 10 each fully paid .. .. .

5.00 5.00

Dinette Exclusive Club Private Limited

500 Equity Shares of Rs. 100 each fully paid .. .. .

0.50 0.50

**OTHER INVESTMENTS**

**Unquoted**

National Savings Certificate .. .. .  
(Lodged with Government authorities)

0.17 0.17

**IN DEBENTURES OR BONDS**

**Quoted**

Housing Development Finance Corporation Limited

Nil, (Previous year : 350, 9.50% Non-Convertible Debentures, 2013 of  
Rs. 10,00,000 each) .. .. .

— 34,90.90

LIC Housing Finance Limited

100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each ..

10,00.54 10,00.80

Nil, (Previous year : 100, 9.70% Non-Convertible Debentures, 2013 of  
Rs. 10,00,000 each) .. .. .

— 10,00.47

**IN SUBSIDIARY COMPANY**

**Unquoted**

Biddle Sawyer Limited

9,60,000 Equity Shares of Rs. 10 each fully paid .. .. .

47,61.30 47,61.30

TOTAL ..

**57,67.51 102,59.14**

Aggregate of Unquoted Investments - At Book value .. .. .

47,66.97 47,66.97

Aggregate of Quoted Investments - At Book value .. .. .

10,00.54 54,92.17

- At Market value .. .. .

10,00.60 54,96.80

There are no investments purchased and sold / redeemed during the year.

**13 DEFERRED TAX ASSETS (NET)**

Deferred tax assets and liabilities are attributable to the following items:

**Assets**

Provision for employee benefits .. .. .

26,49.51 23,30.83

Costs of voluntary retirement schemes .. .. .

22,52.68 2,53.04

Provision for doubtful debts, loans and advances .. .. .

4,72.33 3,22.29

Provision for pricing of formulations .. .. .

1,84.11 2,01.31

Interest on Income-tax refund not accounted but considered as taxable under the  
Income-tax Act, 1961 .. .. .

21,01.96 21,01.96

Expenses allowable for tax purposes when paid .. .. .

13,14.82 15,33.09

TOTAL ..

**89,75.41 67,42.52**

**Liabilities**

Depreciation / Tangible assets held for sale .. .. .

3,21.32 5,95.92

TOTAL ..

**3,21.32 5,95.92**

TOTAL ..

**86,54.09 61,46.60**





Notes to the Financial Statements for the year ended 31st December, 2012 — continued

**17 INVENTORIES**

(Inventories have been valued at lower of cost and net realisable value)

	Rupees in lakhs	Previous year Rupees in lakhs
Stores and spares .. .. .	2,32.22	2,32.01
Raw and packing materials (includes in-transit Rs. 21.91 lakhs; previous year - Nil) ..	61,52.31	57,03.66
Work-in-progress .. .. .	33,32.75	54,60.15
Traded goods (includes in-transit Rs. 7,22.41 lakhs; previous year - Rs. 2,37.41 lakhs) ..	121,28.02	130,08.10
Finished goods .. .. .	63,58.99	86,10.15
TOTAL ..	<u>282,04.29</u>	<u>330,14.07</u>

**DETAILS OF INVENTORY**

(a) Work-in-progress

Tablets and Capsules .. .. .	14,88.58	21,83.61
Solids including Powders and Ointments .. .. .	10,77.86	24,70.00
Liquids - Orals, Topicals and Parenterals .. .. .	7,60.66	6,27.42
Others .. .. .	5.65	1,79.12
	<u>33,32.75</u>	<u>54,60.15</u>

(b) Traded goods and Finished Goods

Tablets and Capsules .. .. .	66,60.22	67,42.54
Solids including Powders and Ointments .. .. .	24,52.47	35,02.15
Liquids - Orals, Topicals and Parenterals .. .. .	28,88.51	36,78.63
Others .. .. .	64,85.81	76,94.93
	<u>184,87.01</u>	<u>216,18.25</u>

**18 TRADE RECEIVABLES**

(Unsecured, considered good unless otherwise stated)

Considered good

Outstanding for a period exceeding six months from the date they are due for payment .. .. .	1,46.50	87.25
Others .. .. .	114,43.30	84,43.91

Considered doubtful

Outstanding for a period exceeding six months from the date they are due for payment .. .. .	10,33.75	8,42.98
Others .. .. .	27.91	23.56
Less : Provision for doubtful debts .. .. .	(10,61.66)	(8,66.54)

TOTAL .. 115,89.80 85,31.16

**19 CASH AND BANK BALANCES**

Cash and cash equivalents

Cash on hand .. .. .	3.95	3.72
Cheques on hand .. .. .	13,70.52	—

Balances with banks

Current account .. .. .	49,44.44	37,30.37
Term deposit with original maturity period of less than three months .. .. .	56,08.00	321,46.00

Other bank balances

Term deposit with original maturity period of more than three months but less than twelve months .. .. .	1140,50.00	649,00.00
Term deposit with original maturity period of more than twelve months but maturing within next twelve months .. .. .	761,25.00	962,00.00
Unpaid dividend accounts .. .. .	16,75.31	13,74.40
Margin money / Deposit against bank guarantee .. .. .	1,00.69	54.12

TOTAL .. 2038,77.91 1984,08.61

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

	Rupees in lakhs	Previous year Rupees in lakhs
<b>20 SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Balance with Government authorities.. .. .	12,61.75	9,55.33
Current account balances with group companies .. .. .	11,46.87	13,14.01
Prepaid Expenses .. .. .	1,23.69	57.09
Advances recoverable in cash or in kind or for value to be received * .. .. .	31,70.48	26,70.91
TOTAL .. .. .	<u>57,02.79</u>	<u>49,97.34</u>
* includes outstanding loans receivable from related parties		
<b>21 OTHER CURRENT ASSETS</b>		
Interest accrued on investments / deposits .. .. .	68,68.68	61,99.08
Tangible assets held for sale (at book value or estimated net realisable value / salvage value whichever is lower) .. .. .	4,81.25	—
Others .. .. .	23.89	77.14
TOTAL .. .. .	<u>73,73.82</u>	<u>62,76.22</u>
<b>22 CONTINGENT LIABILITIES AND COMMITMENTS</b>		
A. Contingent Liabilities not provided for:		
(i) Cheques discounted with banks .. .. .	4,84.58	4,53.83
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters .. .. .	30,74.86	28,52.96
- Excise matters .. .. .	5,92.64	4,38.97
- Service tax matters .. .. .	1,29.20	1,29.20
- Labour matters .. .. .	56,83.79	51,17.25
- Other legal matters .. .. .	22,01.55	10,63.57
which net of current tax amount to - .. .. .	78,91.80	64,12.42
(iii) Income-tax matters in respect of which appeals are pending		
- Tax on matters in dispute .. .. .	106,72.90	176,76.44
Notes:		
Future cash outflows in respect of (i) above are dependant on the return of cheques by banks.		
Future cash outflows in respect of (ii) and (iii) above are determinable on receipt of decisions / judgements pending with various forums / authorities.		
B. Commitments		
(i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for .. .. .	48,59.74	35,06.97
(ii) Uncalled liability on partly paid shares:		
- in Hill Properties Limited .. .. .	0.12	0.12
Note:		
Future cash outflow is dependent on the call to be made by Hill Properties Limited.		

**23** The demand of Rs. 71,79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October, 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgement and Order dated 30th March, 2011, upheld the demand. The Company had accrued a liability of Rs. 18,68 lakhs in earlier years and a further provision of Rs. 53,11 lakhs was accrued in 2011.

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63,60 lakhs, which together with the amount of Rs. 8,19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71,79 lakhs made by the Government in November 1990. The Company filed a Review Petition with the Supreme Court which was rejected in March 2012.

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

In October 1996, the Government had claimed interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May, 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October, 2011, raised a demand on the Company for the interest amount amounting to Rs. 247,44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247,44 lakhs in respect of the Government's claim for interest in 2011. The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition (SLP) before the Supreme Court for stay of the interest demand until final determination of the Writ Petition filed in the Delhi High Court. The Supreme Court on hearing the above SLP, passed an order on 3rd April, 2012. The said order stayed the Demand Notice dated 10th October, 2011 during the pendency of the Writ Petition at the Delhi High Court subject to the Company depositing Rs. 136,82 lakhs in three equal installments within six month's time from the date of order. All three instalments have been deposited with the Government as of date. The Supreme Court, vide its order dated 5th October, 2012, directed the Delhi High Court to dispose of the Writ Petition as expeditiously as possible. The Delhi High Court has listed the Writ Petition for hearing on 21st February, 2013.

### 24 Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):

- (i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983. Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails. Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.
- (ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.
- (iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.

### 25 Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:

- (i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Long term provisions and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under long term loans and advances. The Company is contesting the matter with the concerned authorities.
- (ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

### 26 Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

- (a) The principal amount and the interest due thereon remaining unpaid to suppliers
- (i) Principal .. .. .
- (ii) Interest due thereon .. .. .
- (b) (i) The delayed payments of principal amount paid beyond the appointed date during the entire accounting year .. .. .
- (ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 .. .. .
- (c) (i) Normal Interest accrued during the year, for all the delayed payments, as per the agreed terms .. .. .
- (ii) Normal Interest payable for the period of delay in making payment, as per the agreed terms .. .. .
- (d) (i) Total Interest accrued during the year .. .. .
- (ii) Total Interest accrued during the year and remaining unpaid .. .. .
- (e) Included in (d) above is Nil being interest on amounts outstanding as at the beginning of the accounting year

The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

	Rupees in lakhs	Previous year Rupees in lakhs
	—	—
	2.05	1.14
	<u>2.05</u>	<u>1.14</u>
	1,34.67	2,21.07
	—	—
	—	—
	2.05	1.14
	2.05	1.14

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

	Rupees in lakhs	Previous year Rupees in lakhs
<b>27</b> Fixed Assets include the following investments representing ownership of residential flats :		
5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited. .. .. .	2.00	2.00
10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited. .. .. .	48.13	48.13
5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited. .. .. .	23.62	23.62
10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited. .. .. .	33.31	33.31
20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited. .. .. .	45.59	45.59
5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited. .. .. .	67.00	67.00
20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited. .. .. .	19.32	19.32
<b>28 PROPOSED DIVIDEND (Previous Year: Final Dividend)</b>		
The dividend on Equity Shares of Rs. 10 each is as follows:		
Amount of dividend .. .. .	423,51.50	381,16.35
Dividend per Equity Share .. .. .	50.00	45.00
<b>29 REVENUE FROM OPERATIONS</b>		
Sale of products .. .. .	2669,97.28	2391,73.39
Excise duty .. .. .	(70,04.18)	(53,69.99)
Sale of products (net) .. .. .	2599,93.10	2338,03.40
Other operating revenue .. .. .	30,37.21	37,84.70
<b>TOTAL</b> .. .. .	<b>2630,30.31</b>	<b>2375,88.10</b>
<b>(a) DETAILS OF SALE OF PRODUCTS</b>		
Tablets and Capsules .. .. .	1177,24.06	1053,54.38
Solids including Powders and Ointments .. .. .	573,96.73	504,12.28
Liquids - Orals, Topicals and Parenterals .. .. .	392,56.75	372,99.01
Others .. .. .	526,19.74	461,07.72
	<b>2669,97.28</b>	<b>2391,73.39</b>
<b>(b) OTHER OPERATING REVENUE</b>		
Service income		
Clinical research and data management .. .. .	45,41.18	40,96.17
Other services .. .. .	10,20.21	9,05.95
Direct expenses relating to the above .. .. .	(45,39.26)	(40,98.24)
	10,22.13	9,03.88
Export related benefits (net) .. .. .	26.24	79.37
Consignment sales commission .. .. .	1,47.56	2,33.02
Manufacturing charges recovery .. .. .	2,46.25	1,89.01
Others .. .. .	15,95.03	23,79.42
	30,37.21	37,84.70

Notes to the Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs	Previous year Rupees in lakhs
<b>30 OTHER INCOME</b>		
Interest income (Gross):		
On deposits with banks .. .. .	155,88.27	131,48.69
On loans .. .. .	21.54	21.08
On tax refunds .. .. .	7,42.00	18.20
On investments - Government securities and other than trade - long term [net of premium write-off of Rs. 21.80 lakhs (Previous year - Rs. 54.99 lakhs)] .. .. .	8,00.17	9,61.73
Others .. .. .	29.30	45.33
	<u>171,81.28</u>	<u>141,95.03</u>
Less : Interest expense:		
Security deposits .. .. .	(30.59)	(28.68)
Others .. .. .	(2.83)	(4.06)
	<u>(33.42)</u>	<u>(32.74)</u>
	171,47.86	141,62.29
Dividend from subsidiary company .. .. .	22,00.00	18,00.00
TOTAL ..	<u>193,47.86</u>	<u>159,62.29</u>
<b>31 COST OF MATERIALS CONSUMED</b>		
Raw materials consumed .. .. .	305,07.00	312,37.97
Packing materials consumed .. .. .	132,73.90	118,85.57
TOTAL ..	<u>437,80.90</u>	<u>431,23.54</u>
Notes :		
No single raw or packing material accounts for more than 10% of total consumption		
Cost of materials consumed is based on derived values		
<b>VALUE OF IMPORTED AND INDIGENOUS RAW AND PACKING MATERIALS CONSUMED</b>		
	%	%
Purchased indigenously .. .. .	86.73    379,72.81	78.44    338,24.17
Imported by the company (including duty and other charges)	13.27    58,08.09	21.56    92,99.37
	<u>100.00    437,80.90</u>	<u>100.00    431,23.54</u>
<b>32 PURCHASE OF TRADED GOODS</b>		
Purchase of traded goods .. .. .	607,45.49	533,36.71
TOTAL ..	<u>607,45.49</u>	<u>533,36.71</u>
<b>33 DETAILS OF PURCHASES (TRADED GOODS)</b>		
Tablets and Capsules .. .. .	159,89.25	138,63.22
Solids including Powders and Ointments .. .. .	57,71.22	61,55.86
Liquids - Orals, Topicals and Parenterals .. .. .	51,16.53	45,22.96
Others .. .. .	338,68.49	287,94.67
TOTAL ..	<u>607,45.49</u>	<u>533,36.71</u>

Notes to the Financial Statements for the year ended 31st December, 2012 — *continued*

	Rupees in lakhs		Previous year Rupees in lakhs	
<b>34 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS</b>				
Opening stock .. .. .			51,76.51	
Work-in-progress .. .. .	54,60.15		76,99.27	
Finished goods .. .. .	86,10.15		85,93.57	
Traded goods .. .. .	130,08.10		214,69.35	
	<u>270,78.40</u>		<u>214,69.35</u>	
Less: Closing stock				
Work-in-progress .. .. .	33,32.75		54,60.15	
Finished goods .. .. .	63,58.99		86,10.15	
Traded goods .. .. .	121,28.02		130,08.10	
	<u>218,19.76</u>	52,58.64	<u>270,78.40</u>	(56,09.05)
TOTAL ..		<u>52,58.64</u>		<u>(56,09.05)</u>
<b>35 EMPLOYEE BENEFITS EXPENSES</b>				
Salaries, wages and bonus .. .. .		262,89.58		250,20.29
Contributions to : Provident and pension funds .. .. .		14,17.93		13,28.63
Gratuity funds .. .. .		4,34.88		4,50.97
Staff welfare .. .. .		14,09.16		10,36.42
		<u>295,51.55</u>		<u>278,36.31</u>
TOTAL ..				
<b>36 OPERATING AND OTHER EXPENSES</b>				
Sales promotion .. .. .		99,65.73		106,17.93
Stock point commission .. .. .		12,08.63		11,27.20
Freight (net) .. .. .		48,75.60		39,96.34
Travelling .. .. .		56,81.55		48,87.34
Provision / write off for doubtful debts, loans and advances (net)		4,62.25		1,09.27
Manufacturing charges .. .. .		52,59.51		53,57.58
Repairs - Buildings .. .. .	2,21.07		2,74.10	
- Plant and Machinery .. .. .	9,68.28		10,58.00	
- Others .. .. .	13.38	12,02.73	13.21	13,45.31
Consumption of stores and spares .. .. .		3,55.68		3,14.90
Power, fuel and water .. .. .		22,50.13		26,70.13
Rent .. .. .		13,74.58		10,84.55
Rates and taxes .. .. .		16,76.87		9,88.99
Printing, postage and telephones .. .. .		15,35.61		13,55.10
Sales training, briefing and conference .. .. .		18,10.73		19,97.60
Excise duty .. .. .		(3,60.55)		4,31.66
Insurance .. .. .		3,19.40		3,14.89
Remuneration to auditors :				
Statutory audit fees .. .. .	36.75		36.75	
In other capacity in respect of :				
Tax audit fees .. .. .	6.00		6.00	
Audit of tax accounts .. .. .	20.00		20.00	
Other services .. .. .	25.25		25.25	
Reimbursement of expenses .. .. .	3.16		1.54	
	<u>91.16</u>		<u>89.54</u>	
Cost audit fees.. .. .	3.71	94.87	3.78	93.32
Date-expired stocks .. .. .		26,77.13		23,23.44
Commission to non whole-time Directors .. .. .		46.29		42.78
Directors' sitting fees .. .. .		14.80		13.40
Miscellaneous .. .. .		55,71.93		56,14.76
Reimbursement of expenses (net) (Refer note 40) .. .. .		2,95.80		74.07
Expenses relating to service income [Refer note 29 (b)] .. .. .		(45,39.26)		(40,98.24)
TOTAL ..		<u>417,80.01</u>		<u>406,62.32</u>

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

- 37** Employee benefits expenses in Note 35 include amounts subject to approval of members in ensuing Annual General Meeting - Rs. 80.18 lakhs (Previous year - Nil).
- 38** The recurring expenditure on research and development charged off to revenue amounts to Rs. 2,40.34 lakhs (Previous year - Rs. 3,82.79 lakhs).
- 39** Miscellaneous expenses in Note 36 include loss on foreign currency transactions (net) Rs. 3,14.72 lakhs (Previous year - Rs. 6,05.80 lakhs).
- 40** "Reimbursement of expenses (net)" in Note 36 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,25.98 lakhs (Previous year - Rs. 3,00.37 lakhs), from subsidiary company Rs. 3,20.63 lakhs (Previous year - Rs. 5,31.59 lakhs), from Stiefel India Private Limited Rs. 15.53 lakhs (Previous year - Rs. 14.50 lakhs), from GlaxoSmithKline Pte Limited Rs. 62.04 lakhs (Previous year - Rs. 59.86 lakhs), from GlaxoSmithKline Service Unlimited Rs. 80.68 lakhs (Previous year - 23.95 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 11,00.66 lakhs (Previous year - Rs. 10,04.34 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

### 41 Exceptional items:

Expenses on rationalisation initiatives mainly relating to a manufacturing site

	Rupees in lakhs	Previous year Rupees in lakhs
– Voluntary retirement scheme .. .. .	(98,05.56)	(9,12.62)
– Others .. .. .	(36,64.18)	(14,27.90)
Provisions for Government's demand in respect of Betamethasone bulk drugs and formulations	—	(300,54.82)
Actuarial gain/(loss) on employee benefits .. .. .	(13,51.96)	1,41.20
	<u>(148,21.70)</u>	<u>(322,54.14)</u>

### 42 C.I.F. value of imports in respect of:

Raw and packing materials .. .. .	60,24.91	70,61.09
Traded goods .. .. .	142,33.77	108,87.38
Components and spare parts for Machinery .. .. .	—	15.21
Capital Goods .. .. .	12,64.83	7,64.71
	<u>215,23.51</u>	<u>187,28.39</u>

### 43 Dividend remitted in foreign currency:

	2011	2010
On 3,04,85,250 equity shares to Glaxo Group Limited, U.K. .. .. .	137,18.36	121,94.10
On 58,80,000 equity shares to Eskaylab Limited, U.K. .. .. .	26,46.00	23,52.00
On 33,60,000 equity shares to Burroughs Wellcome International Limited, U.K. .. .. .	15,12.00	13,44.00
On 31,92,238 equity shares to Castleton Investment Limited, Mauritius .. .. .	14,36.51	12,76.90

### 44 Expenditure in foreign currency on account of:

– Travelling .. .. .	1,22.14	75.78
– Selling commission on exports .. .. .	—	—
– Royalty .. .. .	9.75	7.98
– Others .. .. .	4,45.74	4,39.03
	<u>5,77.63</u>	<u>5,22.79</u>

### 45 Earnings in foreign exchange on account of:

F.O.B. value of exports including through merchant exporters .. .. .	19,59.29	36,50.64
Recovery of expenses .. .. .	46.43	32.30
Clinical research and data management .. .. .	45,41.18	40,96.17
Research and development .. .. .	—	66.25
Others .. .. .	6,04.67	1,41.87
	<u>71,51.57</u>	<u>79,87.23</u>



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

### 46 Employee Benefits:

The Company obtained actuarial reports as required by the Accounting Standard 15, Employee Benefits (revised 2005) [‘the revised AS 15’], notified under sub-section (3C) of Section 211 of the Companies Act, 1956 based on which disclosures have been made in the financial statements for the year ended 31st December, 2012.

The disclosures as required by the revised AS 15 are as given below:

#### 1 Brief description of the Plans

The Company has various schemes for long-term benefits such as provident fund, superannuation, gratuity and post retirement medical. In case of funded schemes, the funds are recognised by the Income tax authorities and administered through trustees/ appropriate authorities. The Company’s defined contribution plans are superannuation and employees’ pension scheme (under the provisions of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions. The liability of the Company on the exempt Provident Fund managed by the trustees is restricted to the interest shortfall if any. The employees of the Company are also entitled to leave encashment and compensated absences as per the Company’s policy.

The Company’s defined benefit plans include gratuity, post retirement medical and other benefits.

	Rupees in lakhs	Previous year Rupees in lakhs
2 <u>Charge to the Statement of Profit and Loss based on contributions:</u>		
Superannuation .. .. .	4,32.56	4,17.99
Employees' pension scheme .. .. .	2,91.28	2,97.59
Provident fund .. .. .	6,94.09	6,13.05
	<u>14,17.93</u>	<u>13,28.63</u>

3 The Guidance Note on Implementing AS 15, ‘Employee Benefits’ issued by the Accounting Standard Board (ASB) of the Institute of Chartered Accountants of India states that Provident Funds set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by the employer would be defined benefit plans in accordance with the requirements of paragraph 26(b) of AS 15. Pursuant to the Guidance Note, the liability in respect of the shortfall of interest earnings of Fund is Nil determined on the basis of an actuarial valuation. The interest shortfall liability being “Other Long Term Employee Benefits”, detailed disclosures are not required.

4 The liability for leave encashment and compensated absences as at year end is Rs. 27,37.69 lakhs (Previous year - Rs. 24,63.29 lakhs) #.

5 Disclosures for defined benefit plans as on 31st December, 2012:

	Rupees in lakhs		Previous year Rupees in lakhs	
	Gratuity (Funded plan)	Post retirement medical and other benefits (Non-funded plan)	Gratuity (Funded plan)	Post retirement medical and other benefits (Non-funded plan)
(i) <u>Change in Defined Benefit Obligation</u>				
Opening defined benefit obligation ..	47,30.42	29,86.89	46,72.26	28,06.34
Current service cost.. .. .	3,04.58	30.80	2,96.75	35.63
Interest cost .. .. .	3,78.29	2,46.56	3,89.87	2,19.32
Actuarial loss / (gain) .. .. .	4,15.05	6,53.25	(48.83)	96.27
Liabilities assumed on acquisition/ (settled on divestiture) .. .. .	(6.51)	—	(8.16)	—
Benefits paid .. .. .	(12,32.58)	(2,64.70)	(5,71.47)	(1,70.67)
Closing defined benefit obligation	<u>45,89.25</u>	<u>36,52.80</u>	<u>47,30.42</u>	<u>29,86.89</u>
(ii) <u>Change in Fair Value of Assets</u>				
Opening fair value of plan assets ..	31,41.46		32,27.37	
Expected return on plan assets ..	2,47.99		2,35.65	
Actuarial gain / (loss) .. .. .	(1,78.15)		49.91	
Contributions by employer .. .. .	8,90.00		2,00.00	
Benefits paid .. .. .	(12,32.58)		(5,71.47)	
Closing fair value of plan assets ..	<u>28,68.72</u>		<u>31,41.46</u>	

**Notes to the Financial Statements for the year ended 31st December, 2012 — continued**

	Rupees in lakhs		Previous year Rupees in lakhs	
	Gratuity	Post retirement medical and other benefits	Gratuity	Post retirement medical and other benefits
	(Funded plan)	(Non-funded plan)	(Funded plan)	(Non-funded plan)
(iii) <u>Amount recognised in the Balance Sheet</u>				
Present value of obligations as at year end	45,89.25	36,52.80	47,30.42	29,86.89
Fair value of plan assets as at year end	28,68.72	—	31,41.46	—
Net (asset) / liability recognised as at year end #	<u>17,20.53</u>	<u>36,52.80</u>	<u>15,88.96</u>	<u>29,86.89</u>
(iv) <u>Expenses recognised in the Statement of Profit and Loss</u>				
Current service cost .. .. .	3,04.58	30.80	2,96.75	35.63
Interest on defined benefit obligation	3,78.29	2,46.56	3,89.87	2,19.32
Expected return on plan assets	(2,47.99)	—	(2,35.65)	—
Net actuarial loss / (gain) recognised in the current year .. .. .	5,93.20	6,53.25	(98.74)	96.27
Total expense .. .. .	<u>10,28.08</u>	<u>9,30.61</u>	<u>3,52.23</u>	<u>3,51.22</u>
(v) <u>Asset information</u>				
Government of India Securities	41%		39%	
Corporate Bonds .. .. .	26%		28%	
Special Deposit Scheme .. .. .	25%		23%	
Others .. .. .	8%		10%	
(vi) <u>Principal actuarial assumptions used</u>				
Discount rate (p.a.) .. .. .	8.30%	8.30%	8.65%	8.65%
Expected rate of return on plan assets (p.a.)	7.50%		7.50%	
Annual increase in health care premiums (p.a) .. .. .		5%		5%
(vii) <u>Effect of change in Assumed Health Care Cost Trend rate</u>				
<u>1% increase</u>				
Effect on the aggregate of service cost and interest cost .. .. .		46.85		33.05
Effect on defined benefit obligation		4,34.53		3,11.21
<u>1% decrease</u>				
Effect on the aggregate of service cost and interest cost .. .. .		(36.93)		(26.54)
Effect on defined benefit obligation		(3,48.51)		(2,53.92)
(viii) Expected employer's contribution for the next year .. .. .	7,00.00	2,33.05	7,00.00	2,12.06

# excludes impact of actualisation of gratuity Rs. 39.65 lakhs, leave encashment and compensated absences Rs. 15.53 lakhs (Previous year - gratuity Rs. 1,92.55 lakhs, leave encashment and compensated absences Rs. (47.74) lakhs).

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

Rupees in lakhs

(ix) Net asset/liability recognised in the Balance Sheet (including experience adjustment impact)	2012	2011	2010	2009	2008
<b>Gratuity</b>					
Defined benefit obligation .. .. .	45,89.25	47,30.42	46,72.26	28,05.36	32,94.62
Plan assets .. .. .	28,68.72	31,41.46	32,27.37	29,45.50	26,13.10
Deficit / (Surplus) .. .. .	17,20.53	15,88.96	14,44.89	(1,40.14)	6,81.52
Experience adjustments on plan liabilities	2,59.55	1,87.34	1,58.29	2,19.12	1,99.47
Experience adjustments on plan assets	(1,78.15)	49.91	1,75.62	3,25.63	(16.85)
<b>Post retirement medical and other benefits</b>					
Defined benefit obligation .. .. .	36,52.80	29,86.89	28,06.34	22,13.01	30,13.60
Plan assets .. .. .	—	—	—	—	—
Deficit / (Surplus) .. .. .	36,52.80	29,86.89	28,06.34	22,13.01	30,13.60
Experience adjustments on plan liabilities	5,02.91	2,72.60	5,20.13	(77.38)	74.05
Experience adjustments on plan assets	—	—	—	—	—

**47** The Company has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

### 48 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

1 Relationships (during the year):

(i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.

Eskaylab Limited, U.K.

Burroughs Wellcome International Limited, U.K.

Castleton Investment Limited, Mauritius

Holding company / ultimate holding company of the above shareholders \*

GlaxoSmithKline plc, U.K.

GlaxoSmithKline Finance plc, U.K.

SmithKline Beecham Limited, U.K.

Wellcome Limited, U.K.

The Wellcome Foundation Limited, U.K.

Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

(ii) Subsidiary of the Company

Biddle Sawyer Limited, a wholly owned subsidiary of the Company

(iii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka

GlaxoSmithKline Pakistan Limited, Pakistan

GlaxoSmithKline Asia Private Limited, India

GlaxoSmithKline Consumer Healthcare Limited, India

GlaxoSmithKline Biologicals S.A., Belgium

GlaxoSmithKline Services Unlimited, U.K.

GlaxoSmithKline Export Limited, U.K.

SmithKline Beecham Pharmaceuticals R & D, U.S.

Glaxo Operations UK Limited, U.K.

GlaxoSmithKline Pte Limited, Singapore

GlaxoSmithKline Australia Pty Limited, Australia

GlaxoSmithKline Trading Services Limited, Ireland

GlaxoSmithKline Limited, Hong Kong

GlaxoSmithKline LLC, U.S.A

GlaxoSmithKline Limited, Kenya

Stiefel India Private Limited, India

Glaxo Wellcome Ceylon Ltd., Sri Lanka

US Pharmaceuticals, U.S.A.

GlaxoSmithKline Ilaclari Sanayi ve Ticaret AS, Turkey

GlaxoSmithKline Manufacturing SPA, Italy

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

(iv) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee (up to 31st July, 2012)	Mr. R. Bartaria
Mr. A.N. Roy (w.e.f 4th November, 2011)	Mr. R.C. Sequeira
Mr. C.T. Renganathan	Mr. R.R. Bajaj
Mr. D.S. Parekh	Mr. R. Krishnaswamy (w.e.f. 16th March, 2011)
Mr. D. Sundaram	Mr. S. Harford *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan (up to 17th February, 2012)
Mr. K. Hazari (w.e.f. 1st August, 2011)	Mr. S. Khanna
Mr. M.B. Kapadia	Mrs. S. Patel (up to 23rd May, 2011)
Mr. M.K. Vasanth Kumar (up to 1st August, 2011)	Mr. S. Dheri (w.e.f. 1st April, 2012)
Mr. N. Kaviratne	Mr. V. Narayanan (up to 9th November, 2012)
Mr. P. Bhide	Mr. V. Thyagarajan
Mr. P.V. Nayak	

\* no transactions during the year

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

(i) Dividend paid to parties referred to in item 1(i) above:

		Rupees in lakhs	
		2012	2011
Glaxo Group Limited, U.K.	.. .. .	137,18.36	121,94.10
Eskaylab Limited, U.K.	.. .. .	26,46.00	23,52.00
Burroughs Wellcome International Limited, U.K.	.. .. .	15,12.00	13,44.00
Castleton Investment Limited, Mauritius	.. .. .	14,36.51	12,76.90

(ii) Details relating to parties referred to in items 1(ii) and 1(iii) above:

		Rupees in lakhs			
		Subsidiary of the company (ii)		Other companies in the GSK Group (iii)	
		2012	2011	2012	2011
1	Purchase of materials/traded goods .. .. .	—	—	323,49.86	260,95.18
2	Sale of materials/sale of products .. .. .	—	—	12,65.97	27,99.65
3	Sale of fixed assets .. .. .	—	—	—	74.91
4	Expenses recharged to other companies .. .. .	2,84.15	4,90.51	13,61.94	11,72.15
5	Research and development recoveries .. .. .	—	—	—	66.25
6	Expenses recharged by other companies .. .. .	—	—	15,70.78	13,77.74
7	Manufacturing charges recovered .. .. .	49.40	52.00	1,96.85	1,37.01
8	Consignment sales commission received .. .. .	75.32	1,41.30	29.85	48.94
9	Clinical research and data management recoveries .. .. .	—	—	45,41.18	40,96.17
10	Central Value Added Tax credits availed on behalf of a related party (net) .. .. .	—	—	48.23	4,58.70
11	Employee benefits transferred to a related party .. .. .	—	—	13.71	85.46
12	Dividend received .. .. .	22,00.00	18,00.00	—	—
13	Outstanding (payables)/receivables at the year end (net) #	(1,59.05)	(1,16.56)	(40,31.06)	(58,41.35)

# Transactions with the above parties are accounted in the respective current accounts.

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

(iii) Disclosure in respect of material transactions with parties referred to in item 1 (iii) above:

					Rupees in lakhs	
					2012	2011
(a)	Purchase of materials/traded goods					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	150,93.26	129,79.44
	GlaxoSmithKline Export Limited, U.K.	..	..	..	127,40.84	98,61.95
(b)	Sale of materials/sale of products					
	SmithKline Beecham Private Limited, Sri Lanka	..	..	..	3,80.85	3,21.92
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	6,55.95	21,92.40
	Glaxo Operations UK Limited, U.K.	..	..	..	2,29.17	—
(c)	Sale of fixed assets					
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	—	74.91
(d)	Expenses recharged to other companies					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	7,41.74	10,15.78
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	5,51.91	67.85
(e)	Research and development recoveries					
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	—	66.25
(f)	Expenses recharged by other companies					
	GlaxoSmithKline Consumer Healthcare Limited, India	..	..	..	12,30.63	11,07.78
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	2,27.67	1,13.46
(g)	Manufacturing charges recovered					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	1,96.85	1,37.01
(h)	Consignment sales commission received					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	29.85	48.94
(i)	Clinical research and data management recoveries					
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	23,87.79	19,36.41
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	21,53.39	21,59.76
(j)	Central Value Added Tax credits availed on behalf of a related party (net)					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	48.23	4,58.70
(k)	Employee benefits transferred to a related party					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	13.71	85.46
(l)	Outstanding (payables)/receivables at the year end (net)					
	GlaxoSmithKline Asia Private Limited, India	..	..	..	(26,34.62)	(16,98.94)
	GlaxoSmithKline Consumer Healthcare Limited, India	..	..	..	5,46.17	8,97.34
	GlaxoSmithKline Biologicals S.A., Belgium	..	..	..	3,16.74	(15,61.33)
	GlaxoSmithKline Export Limited, U.K.	..	..	..	(27,81.36)	(37,70.22)
	GlaxoSmithKline Trading Services Limited, Ireland	..	..	..	1,55.60	25.78
	GlaxoSmithKline Services Unlimited, U.K.	..	..	..	1,77.61	3,21.39
	Glaxo Operations UK Limited, U.K.	..	..	..	2,25.79	—
	SmithKline Beecham Private Limited, Sri Lanka	..	..	..	68.36	—

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

(iv) Details relating to persons referred to in item 1(iv) above:

							Rupees in lakhs	
							2012	2011
1	Remuneration/commission/sitting fees	..	..	..	..	..	15,53.28	13,35.37
2	Payments under the long-term incentive plan	..	..	..	..	..	1,55.05	91.00
3	Interest income on loans given	..	..	..	..	..	0.74	0.93
4	Rent for residential flat	..	..	..	..	..	—	1.14
5	Outstanding loans receivable	..	..	..	..	..	25.21	17.51

(v) Disclosure in respect of material transactions with persons referred to in item 1(iv) above:

							Rupees in lakhs	
							2012	2011
(a)	Remuneration/commission/sitting fees							
	Dr. H.B. Joshipura	..	..	..	..	..	3,07.04	3,13.06
	Mr. M.B. Kapadia	..	..	..	..	..	1,95.53	1,92.43
	Dr. A. Banerjee	..	..	..	..	..	3,03.97	1,09.55
(b)	Payments under the long-term incentive plan							
	Dr. H.B. Joshipura	..	..	..	..	..	36.08	20.37
	Mr. M.B. Kapadia	..	..	..	..	..	25.09	14.15
	Dr. A. Banerjee	..	..	..	..	..	48.03	11.47
(c)	Interest income on loans given							
	Mr. H. Buch	..	..	..	..	..	0.23	0.23
	Mr. R. Bartaria	..	..	..	..	..	0.18	0.19
	Mr. S. Khanna	..	..	..	..	..	0.12	0.17
	Mr. S. Dheri	..	..	..	..	..	0.21	*
(d)	Rent for residential flat							
	Dr. A. Banerjee	..	..	..	..	..	—	1.14
(e)	Outstanding loans receivable							
	Mr. H. Buch	..	..	..	..	..	7.60	7.73
	Mr. R. Bartaria	..	..	..	..	..	6.08	6.17
	Mr. S. Khanna	..	..	..	..	..	2.40	3.61
	Mr. S. Dheri	..	..	..	..	..	9.13	*

\* Not a related party during the previous year.

**49** The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows:

												Rupees in lakhs
Particulars	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	UAE Dirham	Australian Dollar	Swiss Franc	Chinese Yuan	Malaysian Ringgit	Thailand Baht	
Receivables	5.25 (1.64)	13,77.73 (10,03.56)	6,27.68 (4,28.85)	— —	0.54 (1.52)	0.15 (0.18)	— —	— (29.33)	0.01 —	0.01 —	0.01 —	
Payables	9,74.36 (14,56.95)	26,31.63 (47,48.71)	78.34 (42.40)	— (2.49)	— —	— —	25.59 (29.32)	— —	— —	— —	— —	

(Figures in brackets pertain to the year 2011)

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

**50** Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:

- (i) The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
- (ii) Lease payments are recognised in the Statement of Profit and Loss under 'Rent' in Note 36.

### 51 Earnings per share

				Previous year
Net Profit		Rupees in lakhs	577,25.89	430,60.42
Weighted average number of shares	.. .. .	Nos.	8,47,03,017	8,47,03,017
Earnings per share (Basic and Diluted)	.. .. .	Rs.	68.15	50.84
Face value per share	.. .. .	Rs.	10	10

**52** Advance income-tax (net) represents payments in excess of provisions of Rs. 2747,20.91 lakhs (Previous year - Rs. 2452,83.36 lakhs) and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation.

**53** The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2012 and the provision based on the figures for the remaining nine months upto 31st December, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2012 to 31st March, 2013.

### 54 Previous year figures

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

The accompanying notes are an integral part of the financial statements.

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman	V. THYAGARAJAN
Managing Director	Dr. H. B. JOSHIPURA
Senior Executive Director	M. B. KAPADIA
Company Secretary	A. A. NADKARNI

Mumbai, 19th February, 2013

## Statement pursuant to Section 212 of the Companies Act, 1956

Name of the subsidiary company	Financial year ending of the subsidiary	Number of equity shares held	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts.	Profits/(losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts.
Biddle Sawyer Limited	31.12.2012	9,60,000 shares of Rs. 10 each	100%	Rs. lakhs 6,62.15	Rs. lakhs —	Rs. lakhs 121,01.23	Rs. lakhs —

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN

Managing Director Dr. H. B. JOSHIPURA

Senior Executive Director M. B. KAPADIA

Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013



# Biddle Sawyer Limited

## Directors' Report to the Members

Your Directors are pleased to present the 67<sup>th</sup> Annual Report and the audited accounts of the Company for the year ended 31<sup>st</sup> December 2012.

### Financial Results

	Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2011
	Rs. in lakhs	Rs. in lakhs
Revenue from Operations	21,48.18	40,44.61
Profit before Tax	9,80.17	23,73.40
Less: Tax expense	3,18.02	7,75.07
Net profit for the year	6,62.15	15,98.33
Add: Opening surplus brought forward from previous year	53,46.78	60,07.24
Less: Appropriations		
Interim Dividend (including tax on distributed profits)	25,56.90	20,98.96
Transfer to General Reserve	66.22	1,59.83
Closing surplus carried forward	33,85.81	53,46.78

### Dividend

In view of the Interim Dividend of Rs. 229.17 per share declared during the year, the Directors do not recommend a final Dividend for the year.

### Operations

The Net Sales for the year ended 31<sup>st</sup> December 2012 were Rs. 21.48 crores as compared to Rs. 40.45 crores for the previous year. Sales declined in the current year mainly due to the discontinuation of a formulation. The Profit before Tax was Rs. 9.80 crores as compared to Rs. 23.73 crores for the previous year.

### Directors

Mr. M. B. Kapadia retires by rotation and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

### Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> December 2012 and of the profit of the Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

### Information Pursuant to Section 217 of the Companies Act, 1956

There are no employees covered within the purview of the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956, as amended by Companies (Particulars of Employees) Rules, 1975.

Additional information on Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed.

### Appointment of Auditors

Members are requested to re-appoint Cornelius and Davar, Chartered Accountants, as the Auditors of the Company for the ensuing year and fix their remuneration.

### Appreciation

The Directors place on record their appreciation of the co-operation received from the Company's suppliers and trade associates during the year.

For and on behalf of the Board

Mumbai,  
Dated: 19<sup>th</sup> February 2013

Dr. H. B. Joshipura  
Chairman

## Annexure to Directors' Report

### A. CONSERVATION OF ENERGY:

- (a) Energy Conservation Measures taken : Nil
- (b) Additional proposal or activities, if any : Nil
- (c) Impact of measures taken : Nil
- (d) Total energy consumption and energy Conservation per unit of production : As per form A annexed hereto.

### B. TECHNOLOGY ABSORPTION:

- (a) Efforts made in technology absorption : As per Form B annexed hereto.

#### FORM 'A'

### FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO CONSUMPTION OF ENERGY

I. Power and Fuel Consumption:	Year ended 31 <sup>st</sup> December 2012	Year ended 31 <sup>st</sup> December 2011
1. Electricity:		
(a) Purchased	Nil	Nil
Units Kwh		
Total Amount Rs.		
Rate/Unit Rs.		
(b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil & LSHS	Nil	Nil
4. Others	Nil	Nil
II. Consumption per Unit of Production Standard:		
Electricity (Units):		Nil

#### FORM 'B'

### FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO TECHNOLOGY ABSORPTION

- 1) Specific Areas in which R&D is carried out by the Company : Nil
- 2) Benefits derived as a result of the above R&D : Nil
- 3) Future plan of action : Nil
- 4) Expenditure on R&D

31<sup>st</sup> December 2012  
Rs. in lakhs

1) Capital	Nil
2) Recurring	Nil
3) Total	Nil
4) Total R&D expenditure as percentage of total turnover	Nil

Technology absorption, adaption and innovation

- 1) Efforts in brief made towards technology absorption, adaption and innovation:  
Adaptive development of products and processes with the objective of cost reduction.
- 2) Benefits derived as a result of above efforts:  
Product improvement and cost reduction which are reflected in the quality and stability of products.
- 3) In case of imported technology (imported during the last 5 years)
  - (a) Technology Imported – NA
  - (b) Year of Import – NA
  - (c) Has technology been fully absorbed – NA
  - (d) If not fully absorbed, areas where this has not taken place, reasons therefor, and future plan of action – NA

### C. FOREIGN EXCHANGE EARNING AND OUTGO

- (1) Activities relating to exports : Initiative taken to explore the exports markets.
- (2) Total Foreign Exchange earned and used:

31<sup>st</sup> December 2012  
Rs. in lakhs

(1) Foreign Exchange earned	Nil
(2) Foreign Exchange outgo – CIF Value of imports	5,65.94
(3) Travelling & Subscription	Nil

## Auditors' Report

- (1) We have audited the attached Balance Sheet of BIDDLE SAWYER LIMITED as at 31<sup>st</sup> December, 2012, and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto both of which, we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibilities are to express opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards 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 misstatements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, of India (the Act) and on the basis of such checks as we considered appropriate and according to the confirmation and explanation given to us, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in paragraph 3, 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 purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company, in so far as appears from our examination of the books of the Company.
  - (c) The Balance Sheet and Profit and Loss Account and cash flow statement referred to in this report are in agreement with the books of accounts.
  - (d) In our opinion, the Balance sheet and the Profit & Loss Account and cash flow statement, complies with the mandatory accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
  - (e) On the basis of our review of the confirmation received from the Companies in which the Directors of the Company serve as Director and the information and explanations given to us, none of the Directors of the Company prima facie are disqualified from being appointed as Directors under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) Subject to the above, in our opinion, and to the best of our information and according to explanations given to us, the said accounts give the information required by Companies Act, 1956, in the manner so required and gives a true and fair view:
    - (i) in the case of the Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2012,
    - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

And

- (iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For CORNELIUS & DAVAR  
Firm Registration No. 101963W  
Chartered Accountants

RUSTOM D. DAVAR  
(Partner)  
Membership No.: F. 10620

Place: Mumbai  
Date: 19<sup>th</sup> February, 2013

## Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- (i)
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The fixed assets have been physically verified by the management and no material discrepancies have been noticed on such verification.
  - (c) In our opinion, the Company has not disposed of a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- (ii)
  - (a) As explained to us, the inventory has been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not taken or granted any loans, secured or unsecured from/to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets, and with regard to the sale of goods and services. Further, on the basis of our examination of the books of account and according to the information and explanations given to us, we have not come across nor have we been informed of any instance of major weaknesses in the aforesaid internal controls.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act during the year that need to be entered in the register maintained under that Section. Accordingly, clause (v) (b) of paragraph 4 of the Order is not applicable to the Company for the current year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public.
- (vii) The Company has internal audit system commensurate with size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been generally been maintained and are under preparation. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix)
  - (a) According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, Investor Education and Protection Fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amount payable in respect of aforesaid dues

were outstanding as at 31<sup>st</sup> December, 2012, for a period of more than six months from the date of becoming payable.

- (b) According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, there are no dues of wealth tax, sales tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax as at 31<sup>st</sup> December, 2012 which has not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of the dues	Amount involved Rs. in lakhs	Period to which the amounts relates	Authority where the matter is pending
Income Tax Act, 1961.	Income Tax	178.20	AY 2009-10	CIT(A)

- (x) The Company does not have any accumulated losses as at 31<sup>st</sup> December, 2012. The Company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) According to the books of accounts and records of the Company, there has been no default in repayment of dues to any financial institution or bank during the year. The Company has not issued any debentures.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xvi) According to the information and explanations given to us, the company has not taken any term loans. Therefore, the provisions of clause 4(xvi), of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures.
- (xx) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CORNELIUS & DAVAR  
Firm Registration No. 101963W  
*Chartered Accountants*

RUSTOM D. DAVAR  
*(Partner)*  
Membership No.: F. 10620

Place: Mumbai  
Date: 19<sup>th</sup> February, 2013

# Biddle Sawyer Limited

## Balance Sheet as at 31st December, 2012

	Note No	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
Share Capital .. .. .	2	96,00	96,00
Reserves and Surplus .. .. .	3	43,46,89	62,41,64
<b>(2) Non-Current Liabilities</b>			
Other Long term liabilities .. .. .	4	1,35	1,35
Long-term provisions .. .. .	5	1,25,33	1,25,33
<b>(3) Current Liabilities</b>			
Trade payables .. .. .	6	2,18,19	2,23,66
Other current liabilities .. .. .	7	5,85	4,42
Short-term provisions .. .. .	8	-	49,47
<b>Total</b>		<b>47,93,61</b>	<b>67,41,87</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
Fixed assets .. .. .	9	2,08	2,08
Deferred tax assets (net).. .. .	10	18,04	17,34
Long term loans and advances.. .. .	11	4,85,92	4,07,84
Other non-current assets.. .. .	12	7,01,00	26,41,00
<b>(2) Current assets</b>			
Inventories .. .. .	13	3,10,22	3,29,62
Trade receivables .. .. .	14	1,59,05	1,16,56
Cash and bank balances.. .. .	15	27,99,54	30,27,42
Short-term loans and advances.. .. .	16	2,39,01	71,71
Other current assets .. .. .	17	78,75	1,28,30
<b>Total</b>		<b>47,93,61</b>	<b>67,41,87</b>

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board

For **CORNELIUS & DAVAR**  
Firm Registration No. 101963W  
Chartered Accountants

Dr. Hasit B. Josphipura  
Chairman

M. B. Kapadia  
Director

RUSTOM D. DAVAR  
(Partner)  
Membership No. F. 10620  
Place : Mumbai  
Date : 19th February, 2013

## Profit and Loss Statement for the year ended 31st December, 2012

	Note No	Year Ended 31st December, 2012 Rs. '000	Year Ended 31st December, 2011 Rs. '000
Revenue from operations (Gross).. .. .	21	22,42,42	41,33,89
Less: Excise duty .. .. .		94,24	89,28
Revenue from operations (Net) .. .. .		21,48,18	40,44,61
Other Income .. .. .	22	2,83,38	3,65,89
<b>Total Revenue</b> .. .. .		<b>24,31,56</b>	<b>44,10,50</b>
<b>Expenses:</b>			
Cost of materials consumed .. .. .	23	5,22,99	8,82,31
Purchase of Stock-in-Trade.. .. .	31	35,72	1,94,82
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade .. .. .	24	86,91	4,74
Other expenses .. .. .	25	8,05,77	9,55,23
<b>Total Expenses</b> .. .. .		<b>14,51,39</b>	<b>20,37,10</b>
Profit before tax .. .. .		<b>9,80,17</b>	<b>23,73,40</b>
<b>Tax expense:</b>			
Current tax .. .. .		3,18,72	7,73,00
Deferred tax .. .. .		(70)	2,07
Profit for the period.. .. .		<b>6,62,15</b>	<b>15,98,33</b>
Earnings per share (basic and diluted) (Rs.) .. .. .	26	68.97	166.49
Face value of shares – Rs. 10 each			

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board

For **CORNELIUS & DAVAR**  
Firm Registration No. 101963W  
Chartered Accountants

Dr. Hasit B. Josphipura  
Chairman

M. B. Kapadia  
Director

RUSTOM D. DAVAR  
(Partner)  
Membership No. F. 10620  
Place : Mumbai  
Date : 19th February, 2013

## Cash Flow Statement for the year ended 31st December, 2012

	Year Ended 31st December, 2012 Rs. '000	Year Ended 31st December, 2011 Rs. '000
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax .. .. .	9,80,17	23,73,40
<i>Adjustments for:</i>		
Interest income .. .. .	(2,83,08)	(3,53,98)
Profit on sale of investments (net) .. .. .	-	(11,90)
<b>Operating profit before working capital changes</b>	<b>6,97,09</b>	<b>20,07,52</b>
<i>Adjustments for:</i>		
Inventories.. .. .	19,40	72,04
Trade receivables.. .. .	(42,49)	53,38
Long-term loans and advances.. .. .	11,00	44,90
Short-term loans and advances.. .. .	(1,67,30)	(62,68)
Trade payables .. .. .	(5,48)	41,35
Other current liabilities .. .. .	1,43	(2,64)
<b>Cash generated from operations</b>	<b>5,13,65</b>	<b>21,53,87</b>
Direct taxes paid (net of refunds) .. .. .	(4,57,27)	(7,23,53)
<b>Net cash from operating activities</b> .. .. . <b>A</b>	<b>56,38</b>	<b>14,30,34</b>
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase)/sale of investments (net) .. .. .	-	5,28,00
(Purchase)/sale of bank deposits with maturity period more than 12 months.. .. .	19,40,00	(50,00)
Interest received .. .. .	3,32,63	3,27,23
<b>Net cash from/(used in) investing activities</b> .. .. . <b>B</b>	<b>22,72,63</b>	<b>8,05,23</b>
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid .. .. .	(22,00,00)	(18,00,00)
Tax on Dividend .. .. .	(3,56,89)	(2,98,96)
<b>Net cash used in financing activities</b> .. .. . <b>C</b>	<b>(25,56,89)</b>	<b>(20,98,96)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b> .. .. . <b>(A+B)</b>		
	<b>(2,27,88)</b>	<b>1,36,61</b>
Cash and cash equivalents as at 1st January, 2012 (opening balance) .. .. .	30,27,42	28,90,81
Cash and cash equivalents as at 31st December, 2012 (closing balance) .. .. .	27,99,54	30,27,42
<b>Net increase/(decrease) in cash and cash equivalents</b> .. .. .	<b>(2,27,88)</b>	<b>1,36,61</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash and bank balances .. .. .	27,99,54	30,27,42
Total cash and cash equivalents .. .. .	27,99,54	30,27,42
2. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.		

As per our report of even date attached

For and on behalf of the Board

For **CORNELIUS & DAVAR**  
Firm Registration No. 101963W  
Chartered Accountants

Dr. Hasit B. Josphipura  
Chairman

M. B. Kapadia  
Director

RUSTOM D. DAVAR  
(Partner)  
Membership No. F. 10620  
Place : Mumbai  
Date : 19th February, 2013

**1 SIGNIFICANT ACCOUNTING POLICIES:**

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India, accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

(b) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition, including any attributable cost for bringing the asset to its working condition for its intended use, less accumulated depreciation. Interest on borrowings attributable to new projects is capitalised and included in the cost of fixed assets as appropriate.

The Company provides for depreciation on a straight line method. The depreciation rates used by the Company are equal to or higher than the principal rates specified in Schedule XIV to the Companies Act, 1956 and where higher are as follows:

	S. L. M. Rates %
Buildings .. .. .	3.50
Plant and Machinery (excluding Gas Installations) .. .. .	10.00
Furniture and Fittings .. .. .	10.00
Vehicles and Mainframe Computers .. .. .	25.00
Personal Computers and Laptops .. .. .	33.33

No write-offs are made in respect of leasehold land.

Assets identified and evaluated technically as obsolete and held for disposal are stated at lower of book value and estimated net realisable value/salvage value.

(c) Investments

Long term investments are stated at cost, except where there is a diminution in value other than temporary in which case the carrying value is reduced to recognise the decline. Current Investments are stated at cost or fair value whichever is less.

(d) Inventories

Raw materials, Packaging materials and Stores, Spares and Loose tools are valued at cost, on First-in First-out basis. Work-in-process is valued at cost of manufacturing which includes an appropriate portion of overheads upto the stage of completion. Finished goods is valued at lower of cost and estimated net realisable value.

(e) Revenue Recognition

Sales are recognised upon delivery of products and are recorded inclusive of excise duty but are net of trade discounts.

(f) Foreign Currency transactions

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account. Premium in respect of forward contracts is accounted over the period of the contract.

(g) Research and Development

Capital expenditure on Research and Development is treated in the same way as expenditure on Fixed Assets. The revenue expenditure on Research and Development is written off in the year in which it is incurred.

(h) Provision for Retirement Benefits

The Company has its own Gratuity Fund recognised by the Income Tax authorities and the fund is administered through Trustees. The Superannuation fund benefits is administered by a trust formed for this purpose through the Group Schemes of the Life Insurance Corporation of India, and the liability towards Superannuation is provided according to the rules of the Fund.

(i) Excise Duty

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of CENVAT credits in respect of materials consumed for sales is deducted from cost of materials consumed.

(j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(k) Other Accounting Policies

These are consistent with the generally accepted accounting principles.

**2 SHARE CAPITAL**

	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000		
<b>Authorised</b>				
1,500,000 (Previous year: 1,500,000) Equity Shares of Rs. 10 each .. .. .	1,50,00	1,50,00		
<b>Issued, Subscribed &amp; Paid-Up</b>				
960,000 (Previous year: 960,000) Equity Shares of Rs. 10 each fully paid up.. .. .	96,00	96,00		
(of the above 750,000 ordinary shares have been allotted as fully paid-up Bonus shares by capitalisation of General Reserve)				
<b>Total</b>	<b>96,00</b>	<b>96,00</b>		
(a) Shares held by holding company				
Equity Shares of Rs. 10 each 960,000 (Previous year: 960,000) held by GlaxoSmithKline Pharmaceuticals Limited, the Holding Company.. .. .	96,00	96,00		
(b) Reconciliation of the number of shares				
	Number of Shares	Rs. '000	Number of Shares	Rs. '000
Balance at the beginning of the year	960,000	96,00	960,000	96,00
Issued during the year .. .. .	-	-	-	-
Balance at the end of the year .. .. .	<b>960,000</b>	<b>96,00</b>	<b>960,000</b>	<b>96,00</b>
(c) Rights, preferences and restrictions attached to equity shares:				
The Company has only one class of equity shares having a par value of Rs 10/- per share. Each share holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend.				
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.				
(d) Details of shareholders holding more than 5% shares in the Company:				
	Number of Shares	Rs. '000	Number of Shares	Rs. '000
GlaxoSmithKline Pharmaceuticals Limited, the Holding Company	960000 (100%)	96,00	960000 (100%)	96,00

**3 RESERVES AND SURPLUS**

	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000
<b>Capital Reserve</b>		
Balance as at the beginning of the year .. .. .	2,91	2,91
Additions/Deductions.. .. .	-	-
Balance as at the end of the year .. .. .	<b>2,91</b>	<b>2,91</b>
<b>General Reserve</b>		
Balance as at the beginning of the year .. .. .	8,91,95	7,32,12
Transfer from Profit and Loss Account .. .. .	66,22	1,59,83
Balance as at the end of the year .. .. .	<b>958,17</b>	<b>891,95</b>
<b>Profit &amp; Loss Account</b>		
Balance as at the beginning of the year .. .. .	53,46,78	60,07,24
Profit for the year .. .. .	6,62,15	15,98,33
Less : Appropriations		
Interim Dividend .. .. .	(22,00,00)	(18,00,00)
Tax on dividend .. .. .	(3,56,90)	(2,98,96)
Transfer to General Reserve .. .. .	(66,22)	(1,59,83)
Balance as at the end of the year .. .. .	<b>33,85,81</b>	<b>53,46,78</b>
<b>Total</b>	<b>43,46,89</b>	<b>62,41,64</b>

# Biddle Sawyer Limited

	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000
<b>4 OTHER LONG TERM LIABILITIES</b>		
Security Deposit .. .. .	63	63
Others .. .. .	72	72
<b>Total</b>	<b>1,35</b>	<b>1,35</b>
<b>5 LONG TERM PROVISIONS</b>		
Drugs Prices Equalisation Account (Refer note 19)	71,24	71,24
Provision for pricing of formulation .. .. .	54,09	54,09
<b>Total</b>	<b>125,33</b>	<b>125,33</b>
<b>6 TRADE PAYABLES</b>		
Micro and Small enterprises .. .. .	3	-
Other Sundry Creditors .. .. .	2,18,16	2,23,66
<b>Total</b>	<b>2,18,19</b>	<b>2,23,66</b>
There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006		
The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.		
<b>7 OTHER CURRENT LIABILITIES</b>		
Statutory dues .. .. .	5,85	4,42
<b>Total</b>	<b>5,85</b>	<b>4,42</b>
<b>8 SHORT TERM PROVISIONS</b>		
Provision for Income Tax .. .. .	-	49,47
<b>Total</b>	<b>-</b>	<b>49,47</b>

	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000
<b>10 DEFERRED TAX ASSET (Net)</b>		
<b>Deferred Tax Asset</b>		
Provision for pricing of formulation .. .. .	18,04	17,34
Expenses allowable for tax purposes when paid ..	-	-
<b>Total</b>	<b>18,04</b>	<b>17,34</b>
<b>11 LONG-TERM LOANS AND ADVANCES</b>		
Balance with Government Authorities .. .. .	34,97	34,97
Advance Income Tax .. .. .	410,72	321,64
Unsecured, considered good		
Advances recoverable in cash or kind .. .. .	26,68	37,68
Sundry Deposits .. .. .	13,55	13,55
<b>Total</b>	<b>485,92</b>	<b>407,84</b>
<b>12 OTHER NON-CURRENT ASSETS</b>		
Deposits with banks of maturity period more than 12 months .. .. .	701,00	2641,00
<b>Total</b>	<b>701,00</b>	<b>2641,00</b>
<b>13 INVENTORIES</b>		
Raw materials .. .. .	169,50	86,50
Packing materials .. .. .	17,50	32,99
Work-in-progress.. .. .	5,19	17,34
Finished goods .. .. .	78,76	192,37
Stock-in-trade .. .. .	39,27	42
<b>Total</b>	<b>3,10,22</b>	<b>329,62</b>
<b>14 TRADE RECEIVABLES</b>		
Less than six months, Unsecured, considered good	159,05	116,56
<b>Total</b>	<b>159,05</b>	<b>116,56</b>

## 9 TANGIBLE FIXED ASSETS

Rs. '000

Sr. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As at 01/01/2012	Additions	Deductions	As at 31/12/2012	As at 01/01/2012	for the year	Deductions	As at 31/12/2012	As at 31/12/2012	As at 31/12/2011
1.	Land	2,08	-	-	2,08	-	-	-	-	2,08	2,08
2.	Factory Building	16,98	-	-	16,98	16,98	-	-	16,98	-	-
3.	Plant & Machinery	1,10,32	-	-	1,10,32	1,10,32	-	-	1,10,32	-	-
4.	Furniture & Fixtures	13,48	-	-	13,48	13,48	-	-	13,48	-	-
5.	Cycles	5	-	-	5	5	-	-	5	-	-
6.	Computers	56,41	-	-	56,41	56,41	-	-	56,41	-	-
	<b>Total</b>	<b>1,99,32</b>	<b>-</b>	<b>-</b>	<b>1,99,32</b>	<b>1,97,24</b>	<b>-</b>	<b>-</b>	<b>1,97,24</b>	<b>2,08</b>	<b>2,08</b>
	Previous Year	1,99,32	-	-	1,99,32	1,97,24	-	-	1,97,24	2,08	-

	As at 31st December, 2012 Rs. '000	As at 31st December, 2011 Rs. '000
<b>15 CASH AND BANK BALANCES</b>		
Bank balances		
In current accounts .. .. .	59,54	127,42
Other bank balances		
Long term deposits with maturity period more than 3 months but less than 12 months .. .. .	27,40,00	29,00,00
<b>Total</b>	<b>27,99,54</b>	<b>3027,42</b>
<b>16 SHORT-TERM LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advances to suppliers .. .. .	2,38,93	71,63
Balance with customs and excise .. .. .	8	8
<b>Total</b>	<b>2,39,01</b>	<b>71,71</b>
<b>17 OTHER CURRENT ASSETS</b>		
Unsecured, considered good		
Interest accrued on Bank Deposits/Investments ..	78,75	128,30
<b>Total</b>	<b>78,75</b>	<b>128,30</b>
<b>18 CONTINGENT LIABILITIES</b>		
Claims against the Company not acknowledged as debts .. .. .	11,86,12	10,79,57
Income-tax matters	1,78,20	5,56,40
Guarantee given by the Company to the Customs Authorities .. .. .	2,00,00	2,00,00
Based on the data obtained by Government, it had directed the Company to pay a tentative amount along with interest due thereon into the Drugs Prices Equilisation Account (DPEA) under Drugs (Price Control) Order 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by the Company. The Company had filed its reply contending that no amount is payable into DPEA. .. .. .	49,29	49,29
<b>19 DRUGS PRICES EQUALISATION ACCOUNT</b>		
The Company received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40,79,918 comprising Rs. 1,42,74,110 in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98,05,808 upto 31st July, 1998. The Company had been legally advised that the demand of Rs. 1,42,74,110 is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by the Company in a Writ Petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to the Company depositing 50% of the principal amount. Accordingly, the Company has deposited an amount of Rs. 71,50,000 with the Government on 3rd May, 1999. This is a normal interim order passed by the High court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if the Company succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.		
<b>20 INTERIM DIVIDEND</b>		
The interim dividend for the year is as follows:		
On Equity Shares of Rs. 10 each		
Amount of dividend .. .. .	22,00,00	18,00,00
Dividend per Equity Share .. .. .	229.17	187.5

	Year ended 31st December, 2012 Rs. '000	Year ended 31st December, 2011 Rs. '000
<b>21 REVENUE FROM OPERATIONS (NET)</b>		
Sale of products		
Finished goods .. .. .	19,02,50	37,16,63
Stock-in-trade .. .. .	3,39,92	4,16,87
Other Operating Revenue		
Scrap sales .. .. .	-	39
Revenue from operations (gross) .. .. .	22,42,42	41,33,89
Less : Excise Duty.. .. .	94,24	89,28
<b>Total</b>	<b>21,48,18</b>	<b>40,44,61</b>
<b>22 OTHER INCOME</b>		
Interest Income .. .. .	2,83,08	3,53,98
Profit on Sale of Investments .. .. .	-	11,90
Miscellaneous income .. .. .	30	1
<b>Total</b>	<b>2,83,38</b>	<b>3,65,89</b>
<b>23 COST OF MATERIAL CONSUMED</b>		
Raw materials consumed (Refer note 30) .. ..	4,74,94	8,10,73
Packing materials consumed .. .. .	48,05	71,58
<b>Total</b>	<b>5,22,99</b>	<b>8,82,31</b>
(Cost of materials consumed is based on derived values)		
<b>24 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN- TRADE</b>		
Opening inventories		
Finished Goods .. .. .	192,37	155,61
Work-in-Progress .. .. .	17,34	56,75
Stock-in-Trade .. .. .	42	2,51
Closing inventories		
Finished Goods.. .. .	(78,76)	(192,37)
Work-in-Progress .. .. .	(5,19)	(17,34)
Stock-in-Trade .. .. .	(39,27)	(42)
<b>Total</b>	<b>86,91</b>	<b>4,74</b>
<b>25 OTHER EXPENSES</b>		
Selling & Distribution Expenses .. .. .	4,44,06	7,06,02
Manufacturing Charges .. .. .	54,19	79,66
Rent .. .. .	1,78	1,67
Rates and Taxes .. .. .	53,85	71,17
Excise Duty .. .. .	(12,85)	(13,99)
Remuneration of auditors :		
Statutory audit fees .. .. .	2,47	1,76
Tax audit fees .. .. .	67	44
Other services .. .. .	52	35
Reimbursement of expenses.. .. .	43	65
Cost audit fees.. .. .	22	24
Reimbursement of expenses to GlaxoSmithKline Pharmaceuticals Limited.. .. .	68,94	86,78
Exchange loss (net) .. .. .	1,51,58	2,06
Miscellaneous Expenses .. .. .	39,91	18,42
<b>Total</b>	<b>8,05,77</b>	<b>9,55,23</b>

	Year ended 31st December, 2012 Rs. '000	Year ended 31st December, 2011 Rs. '000
<b>26 EARNINGS PER SHARE</b>		
Earnings per share		
Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as stated below:		
Profit after taxation (Rs. '000) .. .. .	6,62,15	15,98,33
Weighted average number of shares (Nos.) ..	960000	960000
Earnings per share (Basic and Diluted) - Rs. ..	68.97	166.49
Face value per share - Rs. .. .. .	10	10
<b>27 CIF VALUE OF IMPORTS</b>		
Raw and packing materials .. .. .	5,65,94	7,13,18
<b>Total</b>	<u>5,65,94</u>	<u>7,13,18</u>
<b>28 VALUE AND PERCENTAGE OF IMPORTED / INDIGENOUS MATERIALS CONSUMED</b>		
	%	%
Raw and packing materials		
Imported .. .. . 91	4,74,17	89 7,86,07
Indigenous .. .. . 9	48,82	11 96,24
<b>Total</b>	<u>5,22,99</u>	<u>8,82,31</u>
<b>29 RAW AND PACKING MATERIALS CONSUMED</b>		
Alpha D3 .. .. .	3,65,53	5,18,67
Serratiopeptidase .. .. .	-	2,74,23
Others .. .. .	109,41	17,83
Packing Material .. .. .	48,05	71,58
<b>Total</b>	<u>5,22,99</u>	<u>8,82,31</u>
<b>30 SALES OF TRADED GOODS</b>		
Tablets .. .. .	3,39,92	4,16,87
<b>Total</b>	<u>3,39,92</u>	<u>4,16,87</u>
<b>31 PURCHASE OF TRADED GOODS</b>		
Tablets .. .. .	35,72	194,82
<b>Total</b>	<u>35,72</u>	<u>194,82</u>

**32 SEGMENT REPORTING**

The Company has only one segment namely pharmaceuticals; hence no separate disclosure of segment-wise information has been made.

**33 RELATED PARTY DISCLOSURES**

1. Related parties with whom there were transactions during the year are listed below:

Holding Company:

The Company is a wholly owned subsidiary of GlaxoSmithKline Pharmaceuticals Limited.

2. The following transactions were carried out with the related parties at normal commercial terms in the ordinary course of business.

Rs. '000

	Holding Company	
	Year Ended 31st December, 2012	Year Ended 31st December, 2011
1. Payment of manufacturing charges ..	49,40	52,00
2. Payment of common costs .. ..	77,16	95,71
3. Payment of CSA commission .. ..	84,20	1,55,85
4. Payment of marketing commission ..	2,40,58	4,45,31
5. Dividend payable .. .. .	22,00,00	18,00,00
6. Outstanding payable/(receivable) by the Company (net) <sup>®</sup> .. .. .	(1,59,05)	(1,16,56)

<sup>®</sup> Transactions with the above parties are accounted in the respective current accounts.

**34 UNHEDGED FOREIGN CURRENCY EXPOSURE**

The foreign currency exposure not hedged as at the year end are as under:

Rs. '000

Currency Exchange	31st December, 2012		31st December, 2011	
	USD	Euro	USD	Euro
Net unhedged exposure in currency ..	(28,56)	43,51	(3,48,42)	-

**35 PREVIOUS YEAR FIGURES**

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

As per our report of even date attached

For and on behalf of the Board

**For CORNELIUS & DAVAR**  
Firm Registration No. 101963W  
Chartered Accountants

Dr. Hasit B. Joshipura  
Chairman

M. B. Kapadia  
Director

RUSTOM D. DAVAR  
(Partner)  
Membership No. F. 10620  
Place : Mumbai  
Date : 19th February, 2013



# Auditor's Report on the Consolidated Financial Statements of GlaxoSmithKline Pharmaceuticals Limited

The Board of Directors of GlaxoSmithKline Pharmaceuticals Limited

1. We have audited the attached Consolidated Balance Sheet of GlaxoSmithKline Pharmaceuticals Limited (the 'Company') and its subsidiary, hereinafter referred to as the 'Group' (Refer Note 1A to the attached Consolidated Financial Statements) as at 31<sup>st</sup> December, 2012, the related Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, included in the consolidated financial statements, which constitute total assets of Rs. 46,34.56 lakhs and net assets of Rs. 42,83.84 lakhs as at 31<sup>st</sup> December, 2012, total revenue of Rs. 24,31.56 lakhs, net profit of Rs. 7,86.87 lakhs and net cash flows amounting to Rs. 22,99.33 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditor on separate Financial Statements and on the other Financial Information of the component of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> December, 2012;
  - (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date: and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Price Waterhouse & Co., Bangalore  
Firm Registration Number: 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19<sup>th</sup> February, 2013

## Consolidated Balance Sheet as at 31st December, 2012

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital .. .. .	2	84,70.30	84,70.30
Reserves and Surplus .. .. .	3	1922,12.83	1850,99.54
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings .. .. .	4	4,14.24	4,59.33
Other Long-term liabilities .. .. .	5	4,98.07	5,01.21
Long-term provisions .. .. .	6	236,04.62	224,81.11
<b>CURRENT LIABILITIES</b>			
Trade payables .. .. .	7	234,71.09	200,57.74
Other current liabilities .. .. .	8	89,25.92	67,24.62
Short-term provisions .. .. .	9	512,42.84	591,76.99
<b>TOTAL ..</b>		<b>3088,39.91</b>	<b>3029,70.84</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets .. .. .	11	89,42.29	99,15.29
Intangible assets .. .. .	12	—	—
Capital work-in-progress .. .. .		43,78.75	16,18.99
Non-current investments .. .. .	13	10,06.21	54,97.84
Deferred tax assets (net) .. .. .	14	86,72.13	61,63.94
Long-term loans and advances .. .. .	15	194,54.60	157,00.96
Other non-current assets .. .. .	16	17,18.88	35,68.28
<b>CURRENT ASSETS</b>			
Current investments .. .. .	17	44,90.92	57,21.09
Inventories .. .. .	18	285,14.51	333,43.69
Trade receivables .. .. .	19	115,89.80	85,31.16
Cash and bank balances .. .. .	20	2066,77.45	2014,36.03
Short-term loans and advances .. .. .	21	59,41.80	50,69.05
Other current assets .. .. .	22	74,52.57	64,04.52
<b>TOTAL ..</b>		<b>3088,39.91</b>	<b>3029,70.84</b>

The accompanying notes are an integral part of these consolidated financial statements

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

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

## Consolidated Statement of Profit and Loss for the year ended 31st December, 2012

	Note No.	Rupees in lakhs	Previous year Rupees in lakhs
Sale of products .. .. .		2692,39.70	2433,06.89
Excise duty .. .. .		(70,98.42)	(54,59.27)
Sale of products (net) .. .. .		2621,41.28	2378,47.62
Other operating revenue .. .. .		29,12.79	35,91.80
Revenue from operations .. .. .	30	2650,54.07	2414,39.42
Other Income .. .. .	31	174,30.94	145,28.17
<b>TOTAL REVENUE .. .. .</b>		<b>2824,85.01</b>	<b>2559,67.59</b>
Cost of materials consumed .. .. .	32	443,03.89	440,05.85
Purchases of traded goods .. .. .	33	607,81.21	535,31.53
Changes in inventories of finished goods, work-in-progress and traded goods .. .. .	35	53,45.55	(56,04.31)
Employee benefits expense .. .. .	36	295,51.55	278,36.31
Depreciation expense .. .. .	11	17,83.93	20,40.78
Other expenses .. .. .	37	424,61.06	414,24.25
<b>TOTAL EXPENSES .. .. .</b>		<b>1842,27.19</b>	<b>1632,34.41</b>
Profit before exceptional items and tax .. .. .		982,57.82	927,33.18
Exceptional Items .. .. .	42	(148,21.70)	(322,54.14)
Profit before Tax .. .. .		834,36.12	604,79.04
Tax expense:			
Current tax .. .. .		297,56.27	188,40.74
Deferred tax.. .. .		(25,08.19)	(5,05.00)
Fringe benefits tax – write back of provision for earlier years .. .. .		—	(7,15.45)
Net Profit .. .. .		561,88.04	428,58.75
Earnings per equity share (basic and diluted) (Rs.) .. .. .	48		
Face value Rs. 10 each. .. .. .		66.34	50.60

The accompanying notes are an integral part of these consolidated financial statements

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

## Consolidated Cash Flow Statement for the year ended 31st December, 2012

	Rupees in lakhs	Previous year Rupees in lakhs
<b>a. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and exceptional items .. .. .	982,57.82	927,33.18
<i>Adjustments for :</i>		
Provision written back as no longer required .. .. .	(3,02.52)	(14,60.97)
Profit on sale / disposal of fixed assets (net) .. .. .	(18.30)	(87.84)
Profit on sale / redemption of investments .. .. .	—	(11.90)
Interest income .. .. .	(174,64.36)	(145,49.01)
Interest expense .. .. .	33.42	32.74
Provision / write off for doubtful debts, loans and advances (net) .. .. .	4,62.25	1,09.27
Depreciation .. .. .	17,83.93	20,40.78
Unrealised foreign currency gains .. .. .	4.35	(11.28)
<b>Operating profit before working capital changes .. .. .</b>	<b>827,56.59</b>	<b>787,94.97</b>
<i>Adjustments for :</i>		
Inventories .. .. .	47,33.18	(50,72.96)
Trade Receivables .. .. .	(32,53.75)	(39,37.78)
Short-term loans and advances .. .. .	(8,72.75)	7,27.89
Other current assets .. .. .	53.25	40.53
Other non-current assets .. .. .	19,59.32	(71.60)
Long-term loans and advances .. .. .	(12,03.83)	(4,83.72)
Trade payables .. .. .	34,13.35	10,12.33
Provisions .. .. .	(2,33.26)	13,70.02
Other current liabilities .. .. .	5,80.85	(8,34.82)
Other long-term liabilities .. .. .	(3.14)	(59.31)
<b>Cash generated from operations.. .. .</b>	<b>879,29.81</b>	<b>714,85.55</b>
Direct taxes paid (net of refunds) (including fringe benefits tax) .. .. .	(318,37.86)	(316,53.43)
<b>Cash flow before exceptional items .. .. .</b>	<b>560,91.95</b>	<b>398,32.12</b>
<i>Exceptional items:</i>		
Payments under Voluntary Retirement Scheme .. .. .	(91,12.19)	(9,12.62)
Payment of deposits for pricing matters .. .. .	(136,82.00)	(53,10.77)
Non recurring expenses for merger / rationalisation initiatives .. .. .	(19,38.50)	(72.21)
<b>Net cash from operating activities .. .. .</b>	<b>313,59.26</b>	<b>335,36.52</b>
	<b>A</b>	
<b>b. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets .. .. .	(39,07.63)	(42,53.70)
Sale of tangible fixed assets .. .. .	33.51	2,45.60
Sale / redemption of current investments .. .. .	57,00.00	5,28.00
Investment in bank deposits (having original maturity more than 3 months) .. .. .	(2219,75.00)	(1694,00.00)
Redemption / Maturity of bank deposits (having original maturity more than 3 months) .. .. .	1930,60.00	1953,25.00
Interest received .. .. .	161,24.11	133,58.04
<b>Net cash (used) / from investing activities .. .. .</b>	<b>(109,65.01)</b>	<b>358,02.94</b>
	<b>B</b>	

## Consolidated Cash Flow Statement (Contd.)

	Rupees in lakhs	Previous year Rupees in lakhs
<b>c. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings .. .. .	(31.19)	(25.67)
Interest paid .. .. .	(33.42)	(61.21)
Dividend paid .. .. .	(378,15.44)	(337,66.77)
Tax on distributed profit .. .. .	(61,83.43)	(56,27.24)
<b>Net cash used in financing activities .. .. .</b>	<b>(440,63.48)</b>	<b>(394,80.89)</b>
<b>Net increase in cash and cash equivalents .. .. .</b>	<b>(236,69.23)</b>	<b>298,58.57</b>
Cash and cash equivalents as at 1st January, 2012 (opening balance) .. .. .	374,35.86	75,77.29
Cash and cash equivalents as at 31st December, 2012 (closing balance) .. .. .	137,66.63	374,35.86
<b>Net increase in cash and cash equivalents .. .. .</b>	<b>(236,69.23)</b>	<b>298,58.57</b>
<b>NOTES:</b>		
1. Cash and cash equivalents include:		
Cash on hand .. .. .	3.95	3.72
Cheques on hand .. .. .	13,70.52	—
Term deposits with original maturity period of less than three months	56,08.00	321,46.00
Balances with banks .. .. .	51,04.67	39,11.91
Unpaid dividend accounts .. .. .	16,75.31	13,74.40
Unrealised gain .. .. .	4.18	(0.17)
Total cash and cash equivalents .. .. .	137,66.63	374,35.86
2. Other Bank balances include:		
Term deposits with original maturity period of more than three months .. .. .	1929,15.00	1640,00.00
3. The Consolidated Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements, notified under sub-section (3C) of Section 211 of the Companies Act, 1956.		

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

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

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

## 1A GROUP INFORMATION

GlaxoSmithKline Pharmaceuticals Limited ('the Company') is a public limited company and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The Company and its subsidiary (jointly referred to as the 'Group' hereinunder) are engaged inter alia, in the business of manufacturing, distributing and trading in pharmaceuticals.

The subsidiary considered in the consolidated financial statements is :

Name of the Company	Country of incorporation	% voting power held as at 31st December, 2012	% voting power held as at 31st December, 2011
Biddle Sawyer Limited (BSL)	India	100	100

## 1B STATEMENT OF ACCOUNTING POLICIES

### (i) Basis for preparation of accounts

The consolidated financial statements are prepared under the historical cost convention and comply in all material aspects with the applicable accounting principles in India and the accounting standards notified under sub-section (3C) of Section 211 of the Companies Act, 1956 and the other relevant provisions of the Companies Act, 1956.

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

### (ii) Principles of consolidation

The consolidated financial statements relate to GlaxoSmithKline Pharmaceuticals Limited (the 'Company') and its wholly owned subsidiary. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The excess of cost to the Company of its investment in the subsidiary is recognised in the financial statements as goodwill, which is amortised over a period of ten years.

### (iii) Other Significant Accounting Policies

These are set out in the notes to the financial statements under "Statement of Accounting Policies" of the financial statements of the Company and BSL.

## 2 SHARE CAPITAL

### AUTHORISED

9,00,00,000 equity shares of Rs. 10 each .. .. .

Rupees in lakhs Previous year  
Rupees in lakhs  
90,00.00 90,00.00

### ISSUED

8,47,07,710 equity shares of Rs. 10 each, fully paid up .. .. .

84,70.77 84,70.77

### SUBSCRIBED AND PAID-UP

8,47,03,017\* equity shares of Rs. 10 each, fully paid up .. .. .

84,70.30 84,70.30

\* excludes 4,693 equity shares of Rs. 10 each of the Company [3,352 equity shares of Rs. 10 each of erstwhile Burroughs Wellcome (India) Limited] held in abeyance.

## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

### 2 SHARE CAPITAL (Contd.)

	As at 31st December, 2012		As at 31st December, 2011	
	Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
(a) Reconciliation of the number of shares .. .. .				
Balance at the beginning of the year .. .. .	84,703,017	84,70.30	84,703,017	84,70.30
Issued during the year.. .. .	—	—	—	—
<b>Balance at the end of the year.. .. .</b>	<b>84,703,017</b>	<b>84,70.30</b>	<b>84,703,017</b>	<b>84,70.30</b>

(b) Rights, preferences and restrictions attached to equity shares:

The Company has one class of equity shares having a par value of Rs. 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Shares held by subsidiaries of ultimate holding company in aggregate

	Number of Shares	Rupees in lakhs	Number of Shares	Rupees in lakhs
Equity shares of Rs. 10 each (representing 50.67% of total shareholding) .. .. .	42,917,488	42,91.75	42,917,488	42,91.75

(d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company:

	Number of Shares	% Shareholding	Number of Shares	% Shareholding
Glaxo Group Limited, U.K .. .. .	30,485,250	35.99%	30,485,250	35.99%
Eskaylab Limited, U.K .. .. .	5,880,000	6.94%	5,880,000	6.94%
Life Insurance Corporation of India .. .. .	4,822,848	5.69%	4,822,669	5.69%

### 3 RESERVES AND SURPLUS

				Rupees in lakhs			
				As at 31st December 2011	Additions	Deductions	As at 31st December 2012
Capital Reserve .. .. .				1,70.97	—	—	(b) 1,70.97
Capital Redemption Reserve.. .. .				2,62.00	—	—	(c) 2,62.00
General Reserve .. .. .				706,98.66	(a) 57,72.59	—	764,71.25
				<u>711,31.63</u>	<u>57,72.59</u>		<u>769,04.22</u>
Surplus in Statement of Profit and Loss				1139,67.91	561,88.04	(548,47.34)	1153,08.61
Balance as at the beginning of the year	1139,67.91						
Profit for the year as per Statement of Profit and Loss .. .. .		561,88.04					
Less : Appropriations :							
Proposed Dividend .. .. .		(423,51.50)					
Tax on distributed profit .. .. .		(67,23.25)					
Transfer to General Reserve .. .. .		(57,72.59)					
Balance as at the end of the year .. .. .		1153,08.61					
<b>TOTAL .. .. .</b>				<u>1850,99.54</u>	<u>619,60.63</u>	<u>(548,47.34)</u>	<u>1922,12.83</u>

(a) Transfer from Surplus in Statement of Profit and Loss.

(b) Includes Central Government subsidy Rs. 15.00 lakhs and capital profit on reissue of shares forfeited of erstwhile Burroughs Wellcome (India) Limited Rs. 0.51 lakhs.

(c) Includes Rs. 2,61.95 lakhs on account of buy back of equity shares.

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs	Previous year Rupees in lakhs
<b>4 LONG TERM BORROWINGS</b>		
Interest free sales tax loan from SICOM Limited .. .. .	4,14.24	4,59.33
TOTAL .. .. .	<u>4,14.24</u>	<u>4,59.33</u>
<b>Terms of repayment</b>		
Interest free Sales Tax Loan from SICOM Limited as at 31st December, 2012 of Rs. 4,59.33 lakhs (Previous year – Rs. 4,90.52 lakhs) includes Rs. 20.94 lakhs (Previous year – Rs. 42.78 lakhs) availed under the 1988 Sales Tax deferment Scheme repayable in three instalments, closing on 31st January, 2014 and Rs. 4,38.39 lakhs (Previous year – Rs. 447.74 lakhs) under the 1993 Sales Tax deferment Scheme repayable in twenty nine instalments closing on 30th April, 2021. The current maturity amount of Rs. 45.09 lakhs (Previous year – Rs. 31.19 lakhs) of the loan has been disclosed under Note 8 – Other Current Liabilities.		
<b>5 OTHER LONG TERM LIABILITIES</b>		
Deposits received .. .. .	4,97.35	5,00.49
Others .. .. .	0.72	0.72
TOTAL .. .. .	<u>4,98.07</u>	<u>5,01.21</u>
<b>6 LONG TERM PROVISIONS</b>		
For Pricing matters (Refer Note 24 and 25) .. .. .	129,59.38	129,59.38
For employee benefits .. .. .		
Gratuity .. .. .	17,20.53	15,88.96
Leave encashment and compensated absences .. .. .	25,84.22	23,00.15
Post retirement medical and other benefits .. .. .	34,19.75	27,74.83
For long term incentive plan .. .. .	4,28.18	2,76.39
For divestment / restructuring .. .. .	16,58.97	17,23.85
For others .. .. .	8,33.59	8,57.55
TOTAL .. .. .	<u>236,04.62</u>	<u>224,81.11</u>
<b>7 TRADE PAYABLES</b>		
Sundry creditors .. .. .		
Micro and Small enterprises .. .. .	2,59.03	1,25.40
Others .. .. .	232,12.06	199,32.34
TOTAL .. .. .	<u>234,71.09</u>	<u>200,57.74</u>
<b>8 OTHER CURRENT LIABILITIES</b>		
Current Maturity of Long Term Borrowings .. .. .		
Interest free sales tax loan from SICOM Limited (Refer Note 4) .. .. .	45.09	31.19
Unpaid dividend* .. .. .	16,75.31	13,74.40
Salaries, wages and bonus payable .. .. .	32,05.77	25,53.90
Statutory dues including provident fund and tax deducted at source .. .. .	19,32.07	15,29.52
Creditors for capital goods .. .. .	4,50.75	1,38.49
Rationalisation relating to a manufacturing site .. .. .	9,93.37	—
Other Payables .. .. .	6,23.56	10,97.12
TOTAL .. .. .	<u>89,25.92</u>	<u>67,24.62</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.		
<b>9 SHORT TERM PROVISIONS</b>		
For proposed equity dividend .. .. .	423,51.50	381,16.35
For tax on distributed profit .. .. .	68,70.47	63,30.65
For provision for taxation (net) .. .. .	—	49.47
For Pricing matters (Refer Note 24) .. .. .	—	136,82.00
For employee benefits .. .. .		
Gratuity .. .. .	39.65	1,92.55
Leave encashment and compensated absences .. .. .	1,69.00	1,15.40
Post retirement medical and other benefits .. .. .	2,33.05	2,12.06
For long term incentive plan .. .. .	2,01.37	1,94.12
For rationalisation relating to a manufacturing site .. .. .	12,74.50	—
For other short term provisions (including statutory levies) .. .. .	1,03.30	2,84.39
TOTAL .. .. .	<u>512,42.84</u>	<u>591,76.99</u>



## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

### 10 MOVEMENT IN PROVISIONS

Rupees in lakhs

	Rationalisation relating to a manufacturing site	Pricing matters	Long-term Incentive Plan	Divestment / Restructuring	Others
<b>2012</b>					
Opening Balance .. .. .	—	266,41.38	4,70.51	17,23.85	11,41.94
Provision during the year .. .. .	12,74.50	—	3,90.42	—	74.68
Amounts utilised/reversed during the year	—	136,82.00	2,31.38	64.88	2,79.73
Balance at the year end .. .. .	12,74.50	129,59.38	6,29.55	16,58.97	9,36.89
<b>2011</b>					
Opening Balance .. .. .	—	30,76.56	3,06.43	17,41.51	11,36.91
Provision during the year .. .. .	—	300,54.82	3,33.16	—	1,44.93
Amounts utilised/reversed during the year	—	64,90.00	1,69.08	17.66	1,39.90
Balance at the year end .. .. .	—	266,41.38	4,70.51	17,23.85	11,41.94

### 11 TANGIBLE ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 31st December 2011		As at 31st December 2012		As at 31st December 2011		As at 31st December 2012		As at 31st December 2012	
	As at 31st December 2011	Additions	Deductions (b)	As at 31st December 2012	As at 31st December 2011	For the Year	On December 2012	As at 31st December 2012	As at 31st December 2011	
Freehold land	22.89	—	16.30	6.59	—	—	—	6.59	22.89	
Leasehold land	44.27	—	—	44.27	—	—	—	44.27	44.27	
Freehold buildings (a)	28,23.97	—	13,01.79	15,22.18	14,54.36	36.42	6,71.13	8,19.65	7,02.53	13,69.61
Leasehold buildings	36,31.15	35.72	—	36,66.87	17,69.89	1,12.14	—	18,82.03	17,84.84	18,61.26
Plant and equipment	166,82.15	11,18.37	4.37	177,96.15	109,71.52	12,87.00	4.08	122,54.44	55,41.71	57,10.63
Furniture and fixtures	28,00.58	77.40	2.00	28,75.98	22,48.47	1,63.19	1.67	24,09.99	4,65.99	5,52.11
Vehicles	8,13.74	2,02.83	1,06.56	9,10.01	5,93.09	1,55.38	93.85	6,54.62	2,55.39	2,20.65
Office Equipment	5,46.63	39.07	4.80	5,80.90	4,12.76	29.80	2.63	4,39.93	1,40.97	1,33.87
<b>TOTAL</b>	<b>273,65.38</b>	<b>14,73.39</b>	<b>14,35.82</b>	<b>274,02.95</b>	<b>174,50.09</b>	<b>17,83.93</b>	<b>7,73.36</b>	<b>184,60.66</b>	<b>89,42.29</b>	
<b>Previous year</b>	<b>320,39.28</b>	<b>24,67.59</b>	<b>71,41.49</b>	<b>273,65.38</b>	<b>211,43.89</b>	<b>20,40.78</b>	<b>57,34.58</b>	<b>174,50.09</b>		<b>99,15.29</b>

Note:

- Freehold buildings include investments representing ownership of residential flats (Refer note 28).
- Deductions include Assets held for sale shown under 'Other Non Current Assets' (Refer note 16) : gross block Rs. 13,19.62 lakhs, accumulated depreciation Rs. 6,72.37 lakhs and net block Rs. 6,47.25 lakhs (Previous year – gross block Rs. 25,67.49 lakhs, accumulated depreciation Rs. 20,30.36 lakhs and net block Rs. 5,37.13 lakhs).

### 12 INTANGIBLE ASSETS

Rupees in lakhs

	Gross block (at cost)				Depreciation				Net block	
	As at 31st December 2011		As at 31st December 2012		As at 31st December 2011		As at 31st December 2012		As at 31st December 2012	
	As at 31st December 2011	Additions	Deductions	As at 31st December 2012	As at 31st December 2011	For the Year	On December 2012	As at 31st December 2012	As at 31st December 2011	
Goodwill (a)	42,14.97	—	—	42,14.97	42,14.97	—	—	42,14.97	—	—
<b>TOTAL</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>	<b>42,14.97</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>
<b>Previous year</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>	<b>42,14.97</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>	<b>42,14.97</b>	<b>—</b>	<b>—</b>

Note:

- Amortised over a period of ten years.

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

**13 NON-CURRENT INVESTMENTS**

(VALUED AT COST UNLESS OTHERWISE STATED)

**TRADE**

**IN EQUITY INSTRUMENTS**

**Unquoted**

Biotech Consortium India Limited

50,000 Equity Shares of Rs. 10 each fully paid .. .. . 5.00 5.00

Dinette Exclusive Club Private Limited

500 Equity Shares of Rs. 100 each fully paid .. .. . 0.50 0.50

**OTHER INVESTMENTS**

**Unquoted**

National Savings Certificate .. .. . 0.17 0.17  
(Lodged with Government authorities)

**IN DEBENTURES OR BONDS**

**Quoted**

Housing Development Finance Corporation Limited

Nil, (Previous year : 350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each) .. .. . — 34,90.90

LIC Housing Finance Limited

100, 9.35% Non-Convertible Debentures, 2014 of Rs. 10,00,000 each .. 10,00.54 10,00.80

Nil, (Previous year : 100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each) .. .. . — 10,00.47

TOTAL .. **10,06.21** **54,97.84**

Aggregate of Unquoted Investments - At Book value .. .. . 5.67 5.67

Aggregate of Quoted Investments - At Book value .. .. . 10,00.54 54,92.17

- At Market value .. .. . 10,00.60 54,96.80

There are no investments purchased and sold / redeemed during the year.

**14 DEFERRED TAX ASSETS (NET)**

Deferred tax assets and liabilities are attributable to the following items:

**Assets**

Provision for employee benefits .. .. . 26,49.51 23,30.83

Costs of voluntary retirement schemes .. .. . 22,52.68 2,53.04

Provision for doubtful debts, loans and advances .. .. . 4,72.33 3,22.29

Provision for pricing of formulations .. .. . 2,02.15 2,18.65

Interest on Income-tax refund not accounted but considered as taxable under the Income-tax Act, 1961 .. .. . 21,01.96 21,01.96

Expenses allowable for tax purposes when paid .. .. . 13,14.82 15,33.09

TOTAL .. **89,93.45** **67,59.86**

**Liabilities**

Depreciation / Tangible assets held for sale .. .. . 3,21.32 5,95.92

TOTAL .. **3,21.32** **5,95.92**

TOTAL .. **86,72.13** **61,63.94**

**Notes to the Consolidated Financial Statements for the year ended 31st December, 2012** — continued

	Rupees in lakhs	Previous year Rupees in lakhs
<b>15 LONG TERM LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Capital advances		
Considered good	9,64.67	9,21.85
Considered doubtful	2,67.13	—
Less : Allowance for doubtful loans and advances	(2,67.13)	—
Security Deposits	10,02.57	8,81.34
Sundry Deposits	23,49.82	18,65.09
Other loans and advances		
Balance with Government authorities	5,94.85	3,27.48
Advance Income-tax (net)	139,48.32	111,74.20
Loans and advances recoverable in cash or in kind or for value to be received *		
Considered good	5,94.37	5,31.00
Considered doubtful	1,26.99	1,26.99
Less : Allowance for doubtful loans and advances	(1,26.99)	(1,26.99)
<b>TOTAL</b>	<b>194,54.60</b>	<b>157,00.96</b>
* includes outstanding loans receivable from related parties		
<b>16 OTHER NON-CURRENT ASSETS</b>		
Remittances in transit [Refer note 26(iii)]	5.92	5.92
Margin money / Deposit against bank guarantee	2,03.68	2,23.00
Deposits with banks of maturity period more than 12 months	7,01.00	26,41.00
Tangible assets held for sale (at book value or estimated net realisable value / salvage value, whichever is lower)	8,08.28	6,98.36
<b>TOTAL</b>	<b>17,18.88</b>	<b>35,68.28</b>
<b>17 CURRENT INVESTMENTS</b>		
<b>(CURRENT PORTION OF LONG TERM INVESTMENTS VALUED AT COST UNLESS OTHERWISE STATED)</b>		
<b><u>IN GOVERNMENT SECURITIES</u></b>		
<b>Quoted</b>		
7.40% Government of India Securities, 2012		
Nil, (Previous year : 25,00,000 units of Rs. 100 each)	—	25,17.33
<b><u>OTHER INVESTMENTS</u></b>		
<b>Quoted</b>		
Housing Development Finance Corporation Limited		
Nil, (Previous year : 100, 9.32% Non-Convertible Debentures, 2012 of Rs. 10,00,000 each)	—	10,00.00
350, 9.50% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	34,90.90	—
Indian Railway Finance Corporation Limited		
Nil, (Previous year : 20, 9.76% Bonds, 2012 of Rs. 10,00,000 each)	—	2,00.24
LIC Housing Finance Limited		
100, 9.70% Non-Convertible Debentures, 2013 of Rs. 10,00,000 each	10,00.02	—
National Bank for Agriculture and Rural Development		
Nil, (Previous year : 100, 9.80% Non Priority Sector Bonds, 2012 IX H Series of Rs. 10,00,000 each)	—	10,00.00
Power Finance Corporation Limited		
Nil, (Previous year : 100, 9.80% Bonds, 2012 of Rs. 10,00,000 each)	—	10,03.52
<b>TOTAL</b>	<b>44,90.92</b>	<b>57,21.09</b>
Aggregate of Unquoted Investments - At Book value	—	—
Aggregate of Quoted Investments - At Book value	44,90.92	57,21.09
- At Market value	44,97.25	56,91.61
There are no investments purchased and sold / redeemed during the year.		

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

## 18 INVENTORIES

(Inventories have been valued at lower of cost and net realisable value)

	Rupees in lakhs	Previous year Rupees in lakhs
Stores and spares .. .. .	2,32.22	2,32.01
Raw and packing materials (includes in-transit Rs. 21.91 lakhs; previous year - Nil) ..	63,39.31	58,23.15
Work-in-progress .. .. .	33,37.94	54,77.49
Traded goods (includes in-transit Rs. 7,22.41 lakhs; previous year - Rs. 2,37.41 lakhs) ..	121,67.29	130,08.52
Finished goods .. .. .	64,37.75	88,02.52
TOTAL ..	<u>285,14.51</u>	<u>333,43.69</u>

### DETAILS OF INVENTORY

(a) Work-in-progress		
Tablets and Capsules .. .. .	14,93.77	22,00.95
Solids including Powders and Ointments .. .. .	10,77.86	24,70.00
Liquids - Orals, Topicals and Parenterals .. .. .	7,60.66	6,27.42
Others .. .. .	5.65	1,79.12
	<u>33,37.94</u>	<u>54,77.49</u>
(b) Traded goods and Finished goods		
Tablets and Capsules .. .. .	67,78.25	69,35.33
Solids including Powders and Ointments .. .. .	24,52.47	35,02.15
Liquids - Orals, Topicals and Parenterals .. .. .	28,88.51	36,78.63
Others .. .. .	64,85.81	76,94.93
	<u>186,05.04</u>	<u>218,11.04</u>

## 19 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Considered good		
Outstanding for a period exceeding six months from the date they are due for payment .. .. .	1,46.50	87.25
Others .. .. .	114,43.30	84,43.91
Considered doubtful		
Outstanding for a period exceeding six months from the date they are due for payment .. .. .	10,33.75	8,42.98
Others .. .. .	27.91	23.56
Less : Provision for doubtful debts .. .. .	(10,61.66)	(8,66.54)
TOTAL ..	<u>115,89.80</u>	<u>85,31.16</u>

## 20 CASH AND BANK BALANCES

Cash and cash equivalents		
Cash on hand .. .. .	3.95	3.72
Cheques on hand .. .. .	13,70.52	—
Balances with banks		
Current account .. .. .	50,03.98	38,57.79
Term deposit with original maturity period of less than three months .. .. .	56,08.00	321,46.00
Other bank balances		
Term deposit with original maturity period of more than three months but less than twelve months .. .. .	1167,90.00	678,00.00
Term deposit with original maturity period of more than twelve months but maturing within next twelve months .. .. .	761,25.00	962,00.00
Unpaid dividend accounts .. .. .	16,75.31	13,74.40
Margin money / Deposit against bank guarantee .. .. .	1,00.69	54.12
TOTAL ..	<u>2066,77.45</u>	<u>2014,36.03</u>

## 21 SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Balance with Government authorities.. .. .	12,61.83	9,55.41
Current account balances with group companies .. .. .	11,46.87	13,14.01
Prepaid Expenses .. .. .	1,23.69	57.09
Advances recoverable in cash or in kind or for value to be received * .. .. .	34,09.41	27,42.54
TOTAL ..	<u>59,41.80</u>	<u>50,69.05</u>

\* includes outstanding loans receivable from related parties

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs	Previous year Rupees in lakhs
<b>22 OTHER CURRENT ASSETS</b>		
Interest accrued on investments / deposits .. .. .	69,47.43	63,27.38
Tangible assets held for sale (at book value or estimated net realisable value / salvage value whichever is lower) .. .. .	4,81.25	—
Others .. .. .	23.89	77.14
<b>TOTAL ..</b>	<b>74,52.57</b>	<b>64,04.52</b>
<b>23 CONTINGENT LIABILITIES AND COMMITMENTS</b>		
A. Contingent Liabilities not provided for:		
(i) Cheques discounted with banks .. .. .	4,84.58	4,53.83
(ii) In respect of claims made against the Company not acknowledged as debts by the Company		
- Sales tax matters .. .. .	30,74.86	28,52.96
- Excise matters .. .. .	5,92.64	4,38.97
- Service tax matters .. .. .	1,29.20	1,29.20
- Labour matters .. .. .	68,69.91	61,96.82
- Other legal matters .. .. .	22,01.55	10,63.57
which net of current tax amount to - .. .. .	86,93.09	71,33.38
(iii) Income-tax matters in respect of which appeals are pending		
- Tax on matters in dispute .. .. .	108,51.10	182,32.84
(iv) Guarantee given to the Customs authorities .. .. .	2,00.00	2,00.00
(v) Based on the data obtained by Government, it had directed BSL to pay a tentative amount along with interest due thereon into the Drugs Prices Equalisation Account (DPEA) under the Drugs (Prices Control) Order, 1979, in respect of Bulk Drug Amoxicillin Trihydrate, on account of alleged unintended benefit enjoyed by BSL. BSL had filed its reply contending that no amount is payable into DPEA.	49.29	49.29
Notes:		
Future cash outflows in respect of (i) above are dependant on the return of cheques by banks.		
Future cash outflows in respect of (ii), (iii) and (v) above are determinable on receipt of decisions / judgements pending with various forums / authorities.		
Future cash outflows in respect of (iv) above are dependent on the future performance of the obligation by the BSL.		
B. Commitments		
(i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for .. .. .	48,59.74	35,06.97
(ii) Uncalled liability on partly paid shares:		
- in Hill Properties Limited .. .. .	0.12	0.12
Note:		
Future cash outflow is dependent on the call to be made by Hill Properties Limited.		

**24** The demand of Rs. 71,79 lakhs made by the Central Government on the Company in respect of Betamethasone bulk drugs and formulations made therefrom during the period May 1981 to August 1987 has been under litigation for a period spanning nearly 30 years. Pursuant to the special leave petition of the Central Government in the Supreme Court of India against the Delhi High Court's Judgment and Order dated 19th October, 2001 which was held in favour of the Company, the Supreme Court has, vide its Judgment and Order dated 30th March, 2011, upheld the demand. The Company had accrued a liability of Rs. 18,68 lakhs in earlier years and a further provision of Rs. 53,11 lakhs was accrued in 2011.

Based on a legal advice, the Company has filed an Application in the Supreme Court seeking, inter alia, clarifications on some aspects of the Judgement and directions for recomputation of the demand. Simultaneously, the Company without prejudice to and subject to the outcome of the Application filed in the Supreme Court, has tendered as a further deposit, an amount of Rs. 63,60 lakhs, which together with the amount of Rs. 8,19 lakhs previously deposited with the Government, aggregates to the demand of Rs. 71,79 lakhs made by the Government in November 1990. The Company filed a Review Petition with the Supreme Court which was rejected in March 2012.

In October 1996, the Government had claimed interest of Rs. 117,66 lakhs for the period 12th May, 1981 to 17th October, 1996, for which no provision was made in earlier years. The Government has vide letter dated 4th May, 2011 called upon the Company to discharge the entire liability, including upto date interest calculated at 15% p.a., and has vide letter dated 10th October, 2011, raised a demand on the Company for the interest amount amounting to Rs. 247,44 lakhs. Without prejudice to the position that interest is not payable, the Company has recognized a provision of Rs. 247,44 lakhs in respect of the Government's claim for interest in 2011. The Company has filed a Writ Petition at Delhi High Court against the above demand which has been admitted. The Company also filed stay applications which have been dismissed and has filed a Special Leave Petition (SLP) before the Supreme Court for stay of the

## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

interest demand until final determination of the Writ Petition filed in the Delhi High Court. The Supreme Court on hearing the above SLP, passed an order on 3rd April, 2012. The said order stayed the Demand Notice dated 10th October, 2011 during the pendency of the Writ Petition at the Delhi High Court subject to the company depositing Rs. 136.82 lakhs in three equal installments within six month's time from the date of order. All three instalments have been deposited with the Government as of date. The Supreme Court, vide its order dated 5th October, 2012, directed the Delhi High Court to dispose of the Writ Petition as expeditiously as possible. The Delhi High Court has listed the Writ Petition for hearing on 21st February, 2013.

**25** Further, BSL received a letter dated 20th/24th August, 1998 from the Central Government demanding an amount of Rs. 4,40.80 lakhs comprising Rs. 1,42.74 lakhs in respect of prices relating to Salbutamol formulations during the period April, 1979 to December, 1983 with interest thereon amounting to Rs. 2,98.06 lakhs upto 31st July, 1998. BSL had been legally advised that the demand of Rs. 1,42.74 lakhs is not sustainable and it, therefore follows that the interest demand also cannot be sustained. The total demand has been challenged by BSL in a writ petition filed in the Bombay High Court. The Bombay High Court has granted an interim stay of the demand, subject to BSL depositing 50% of the principal amount. Accordingly, BSL has deposited an amount of Rs. 71.50 lakhs with the Government on 3rd May, 1999. This is a normal interim order passed by the High Court in such matters and does not in any way reflect upon the merits or otherwise of the case. The amount will be refunded if BSL succeeds at the final hearing of the matter. The Government's application in the Supreme Court praying that this writ petition be transferred to the Supreme Court from the Bombay High Court was not allowed and BSL's writ petition will now be heard by the Bombay High Court.

**26** Matters in respect of erstwhile Burroughs Wellcome (India) Limited (BWIL):

(i) The Government of India, Ministry of Chemicals and Fertilisers, New Delhi, passed a final order on 21st July, 1993, directing erstwhile BWIL to pay an amount of Rs. 1,91.15 lakhs along with interest due thereon from the date of default into the Drugs Prices Equalisation Account (DPEA) in respect of a bulk drug procured by erstwhile BWIL during the period April 1981 to April 1983.

Erstwhile BWIL filed a writ petition in August 1993 which was admitted by the Bombay High Court. After hearing both the parties, the High Court granted an interim injunction restraining the Government of India from taking any action in furtherance of and/or implementation of the order dated 21st July, 1993 or from in any manner seeking to compel erstwhile BWIL to deposit any amount into the DPEA, pending the hearing and final disposal of the petition on the condition that erstwhile BWIL furnishes a bank guarantee for Rs. 2,00 lakhs from a nationalised bank and undertakes to pay the amount demanded with interest at the rate of 20% per annum in case the petition fails.

Erstwhile BWIL had accordingly furnished the required bank guarantee. If calculated on the basis of correct data, taking into account set offs claimable for earlier years for which data has been provided by erstwhile BWIL, no amount will be payable by the Company and accordingly no provision in that respect is considered necessary. The Company's stand that the demand is not sustainable has been confirmed by an eminent counsel. The Government of India's application in the Supreme Court praying that the writ petition be transferred to the the Supreme Court from the Bombay High Court was not allowed and the Company's writ petition will now be heard by the Bombay High Court.

(ii) Erstwhile BWIL had made an application to the Government of India for approval under Section 198(4) of the Companies Act, 1956, in respect of payment of the Managing Director and three whole time Directors amounting to Rs. 10.93 lakhs for the year ended 31st August, 1986, which was in accordance with the minimum remuneration provided in the agreement entered into with them prior to erstwhile BWIL becoming public, which required such Government of India's sanction. The approval is still awaited.

(iii) Remittances in transit represent monies deposited by customers in favour of erstwhile BWIL with banks in Zambia - Rs. 0.31 lakhs and in Tanzania - Rs. 5.61 lakhs, the remittance of which is pending clearance of the authorities in those countries.

**27** Matters in respect of erstwhile SmithKline Beecham Pharmaceuticals (India) Limited:

(i) Rs. 1,44.44 lakhs received from Beckman Instruments International S.A. on account of disputed alleged additional commission has been included under Long term provisions and Income tax paid thereon aggregating to Rs. 64.77 lakhs has been included under long term loans and advances. The Company is contesting the matter with the concerned authorities.

(ii) Refund of surtax Rs. 96.81 lakhs, and interest thereon amounting to Rs. 48.52 lakhs, received during 1994, have not been adjusted against the provision for tax in the books of account and recognised as income respectively, since the Income tax department had filed a reference application against the income tax tribunal's order which was pending before the High Court of Karnataka. The Company has received an order dated 18th April, 2007 from the High Court of Karnataka which is partially in the Company's favour. On the basis of the aforesaid order, Income Tax Appellate Tribunal (ITAT), Bangalore will pass an order giving directions. On receipt of the ITAT order, the Company will take appropriate steps in the matter.

**28** Fixed Assets include the following investments representing ownership of residential flats :

5 partly paid 'A' equity shares of Rs. 1,20,000 each, Rs. 1,18,000 each paid-up and 1 partly paid 'B' equity share of Rs. 90,000, Rs. 88,500 paid-up in Hill Properties Limited.	7.22	7.22
10 shares of Rs. 50 each fully paid-up in Prathamesh Co-operative Housing Society Limited.	2.00	2.00
10 shares of Rs. 50 each fully paid-up in Montreal Olympic Premises Co-operative Housing Society Limited. . . . .	48.13	48.13
5 shares of Rs. 50 each fully paid-up in Poonam Co-operative Housing Society Limited.	23.62	23.62
10 shares of Rs. 100 each fully paid-up in Anita Co-operative Housing Society Limited.	33.31	33.31
20 shares of Rs. 50 each fully paid-up in Cooprage Woodhouse Co-operative Housing Society Limited. . . . .	45.59	45.59
5 shares of Rs. 50 each fully paid-up in Sea-Face Park Co-operative Housing Society Limited.	67.00	67.00
20 shares of Rs. 50 each fully paid-up in Red Rose Co-operative Housing Society Limited.	19.32	19.32

Rupees in lakhs	Previous year Rupees in lakhs
7.22	7.22
2.00	2.00
48.13	48.13
23.62	23.62
33.31	33.31
45.59	45.59
67.00	67.00
19.32	19.32

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs		Previous year Rupees in lakhs	
<b>29 PROPOSED DIVIDEND</b>				
<b>(Previous Year: Final Dividend)</b>				
The dividend on Equity Shares of Rs. 10 each is as follows:				
Amount of dividend .. .. .		423,51.50		381,16.35
Dividend per Equity Share .. .. .		50.00		45.00
<b>30 REVENUE FROM OPERATIONS</b>				
Sale of products .. .. .	2692,39.70		2433,06.89	
Excise duty .. .. .	(70,98.42)		(54,59.27)	
Sale of products (net) .. .. .	2621,41.28		2378,47.62	
Other operating revenue .. .. .	29,12.79		35,91.80	
<b>TOTAL</b> .. .. .		<b>2650,54.07</b>		<b>2414,39.42</b>
<b>(a) DETAILS OF SALE OF PRODUCTS</b>				
Tablets and Capsules .. .. .	1199,66.48		1094,87.88	
Solids including Powders and Ointments .. .. .	573,96.73		504,12.28	
Liquids - Orals, Topicals and Parenterals .. .. .	392,56.75		372,99.01	
Others .. .. .	526,19.74		461,07.72	
		<b>2692,39.70</b>		<b>2433,06.89</b>
<b>(b) OTHER OPERATING REVENUE</b>				
Service income				
Clinical research and data management .. .. .	45,41.18		40,96.17	
Other services .. .. .	10,20.21		9,05.95	
Direct expenses relating to the above .. .. .	(45,39.26)		(40,98.24)	
	10,22.13		9,03.88	
Export related benefits (net) .. .. .	26.24		79.37	
Consignment sales commission .. .. .	72.24		91.72	
Manufacturing charges recovery .. .. .	1,96.85		1,37.01	
Others .. .. .	15,95.33	29,12.79	23,79.82	35,91.80
<b>31 OTHER INCOME</b>				
Interest income (Gross):				
On deposits with banks .. .. .	158,71.35		135,02.67	
On loans .. .. .	21.54		21.08	
On tax refunds .. .. .	7,42.00		18.20	
On investments - Government securities and other than trade - long term [net of premium write-off of Rs. 21.80 lakhs (Previous year - Rs. 54.99 lakhs)] .. .. .	8,00.17		9,61.73	
Others .. .. .	29.30		45.33	
	174,64.36		145,49.01	
Less : Interest expense:				
Security deposits .. .. .	(30.59)		(28.68)	
Others .. .. .	(2.83)		(4.06)	
	(33.42)		(32.74)	
		174,30.94		145,16.27
Profit on sale / redemption of long term investments .. .. .		—		11.90
<b>TOTAL</b> .. .. .		<b>174,30.94</b>		<b>145,28.17</b>
<b>32 COST OF MATERIALS CONSUMED</b>				
Raw materials consumed .. .. .	309,81.94		320,48.70	
Packing materials consumed .. .. .	133,21.95		119,57.15	
<b>TOTAL</b> .. .. .		<b>443,03.89</b>		<b>440,05.85</b>
Notes: No single raw or packing material accounts for more than 10% of total consumption. Cost of materials consumed is based on derived values				
<b>VALUE OF IMPORTED AND INDIGENOUS RAW AND PACKING MATERIALS CONSUMED</b>				
	%		%	
Purchased indigenously .. .. .	85.82	380,21.63	77.08	339,20.41
Imported by the company (including duty and other charges)	14.18	62,82.26	22.92	100,85.44
	100.00	443,03.89	100.00	440,05.85

Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

	Rupees in lakhs		Previous year Rupees in lakhs
<b>33 PURCHASE OF TRADED GOODS</b>			
Purchase of traded goods .. .. .	607,81.21		535,31.53
TOTAL ..	<u>607,81.21</u>		<u>535,31.53</u>
<b>34 DETAILS OF PURCHASES (TRADED GOODS)</b>			
Tablets and Capsules .. .. .	160,24.97		140,58.04
Solids including Powders and Ointments .. .. .	57,71.22		61,55.86
Liquids - Orals, Topicals and Parenterals .. .. .	51,16.53		45,22.96
Others .. .. .	338,68.49		287,94.67
TOTAL ..	<u>607,81.21</u>		<u>535,31.53</u>
<b>35 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS</b>			
Opening stock .. .. .			
Work-in-progress .. .. .	54,77.49	52,33.26	
Finished goods .. .. .	88,02.52	78,54.88	
Traded goods .. .. .	130,08.52	85,96.08	
	<u>272,88.53</u>	<u>216,84.22</u>	
Less : Closing stock			
Work-in-progress .. .. .	33,37.94	54,77.49	
Finished goods .. .. .	64,37.75	88,02.52	
Traded goods .. .. .	121,67.29	130,08.52	
	<u>219,42.98</u>	<u>272,88.53</u>	<u>(56,04.31)</u>
TOTAL ..	<u>53,45.55</u>	<u>(56,04.31)</u>	
<b>36 EMPLOYEE BENEFITS EXPENSES</b>			
Salaries, wages and bonus .. .. .	262,89.58		250,20.29
Contributions to : Provident and pension funds .. .. .	14,17.93		13,28.63
Gratuity funds .. .. .	4,34.88		4,50.97
Staff welfare .. .. .	14,09.16		10,36.42
TOTAL ..	<u>295,51.55</u>	<u>278,36.31</u>	
<b>37 OPERATING AND OTHER EXPENSES</b>			
Sales promotion .. .. .	99,89.05		106,35.93
Stock point commission .. .. .	12,08.63		11,27.20
Freight (net) .. .. .	48,75.85		39,96.90
Travelling .. .. .	56,81.55		48,87.34
Provision / write off for doubtful debts, loans and advances (net)	4,62.25		1,09.27
Manufacturing charges .. .. .	52,64.30		53,85.24
Repairs - Buildings .. .. .	2,21.07	2,74.10	
- Plant and Machinery .. .. .	9,68.28	10,58.00	
- Others .. .. .	13.38	13.21	
Consumption of stores and spares .. .. .	3,55.82		3,15.16
Power, fuel and water .. .. .	22,50.13		26,70.13
Rent .. .. .	13,76.36		10,86.22
Rates and taxes .. .. .	17,30.72		10,60.16
Printing, postage and telephones .. .. .	15,35.61		13,55.10
Sales training, briefing and conference .. .. .	18,10.73		19,97.60
Excise duty .. .. .	(3,73.40)		4,17.67
Insurance .. .. .	3,19.40		3,15.01
Remuneration to auditors :			
Statutory audit fees .. .. .	36.75	36.75	
In other capacity in respect of :			
Tax audit fees .. .. .	6.00	6.00	
Audit of tax accounts .. .. .	20.00	20.00	
Other services .. .. .	25.25	25.25	
Reimbursement of expenses .. .. .	3.16	1.54	
	<u>91.16</u>	<u>89.54</u>	
Cost audit fees .. .. .	3.71	3.78	93.32
Date-expired stocks .. .. .	27,65.94		24,17.80
Commission to non whole-time Directors .. .. .	46.29		42.78
Directors' sitting fees .. .. .	14.80		13.40
Miscellaneous .. .. .	57,72.26		56,45.29
Reimbursement of expenses (net) (Refer note 41) .. .. .	6,16.43		6,05.66
Expenses relating to service income [Refer note 30 (b)] .. .. .	(45,39.26)		(40,98.24)
TOTAL ..	<u>424,61.06</u>	<u>414,24.25</u>	



## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — *continued*

- 38** Employee benefits expenses in Note 36 include amounts subject to approval of members in ensuing Annual General Meeting - Rs. 80.18 lakhs (Previous year - Nil).
- 39** The recurring expenditure on research and development charged off to revenue amounts to Rs. 2,40.34 lakhs (Previous year - Rs. 3,82.79 lakhs).
- 40** Miscellaneous expenses in Note 37 include loss on foreign currency transactions (net) Rs. 4,66.30 lakhs (Previous year - Rs. 6,07.86 lakhs).
- 41** "Reimbursement of expenses (net)" in Note 37 are amounts recovered from GlaxoSmithKline Asia Private Limited Rs. 3,25.98 lakhs (Previous year - Rs. 3,00.37 lakhs), from Stiefel India Private Limited Rs. 15.53 lakhs (Previous year - Rs. 14.50 lakhs), from GlaxoSmithKline Pte Limited Rs. 62.04 lakhs (Previous year - Rs. 59.86 lakhs), from GlaxoSmithKline Service Unlimited Rs. 80.68 lakhs (Previous year - 23.95 lakhs) and paid to GlaxoSmithKline Consumer Healthcare Limited Rs. 11,00.66 lakhs (Previous year - Rs. 10,04.34 lakhs) towards the value of costs apportioned, in accordance with the agreements on allocation of expenses with the companies.

### 42 Exceptional items:

Expenses on rationalisation initiatives mainly relating to a manufacturing site

- Voluntary retirement scheme	..	..	..	..	..	..	..	..	..	..	..	(98,05.56)	(9,12.62)
- Others	..	..	..	..	..	..	..	..	..	..	..	(36,64.18)	(14,27.90)

Provisions for Government's demand in respect of Betamethasone bulk drugs and formulations .. .. .

Actuarial gain/(loss) on employee benefits .. .. .

Rupees in lakhs	Previous year Rupees in lakhs
(98,05.56)	(9,12.62)
(36,64.18)	(14,27.90)
—	(300,54.82)
(13,51.96)	1,41.20
<u>(148,21.70)</u>	<u>(322,54.14)</u>

- 43** The disclosures as required by Accounting Standard 15, Employee benefits (revised 2005), notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are set out in note 46 to the financial statements of the Company. Since there are no employees in BSL, the disclosures for consolidated financial statements are the same as those given for the Company.

- 44** The Company and BSL has only one reportable segment which is Pharmaceuticals. Accordingly, no separate disclosures of segment information have been made.

### 45 Related Party disclosures

Related party disclosures, as required by Accounting Standard 18, "Related Party Disclosures", notified under sub-section (3C) of Section 211 of the Companies Act, 1956 are given below:

#### 1 Relationships (during the year):

- (i) Shareholders (the GlaxoSmithKline (GSK) Group shareholding) in the Company

Glaxo Group Limited, U.K.	Burroughs Wellcome International Limited, U.K.
Eskaylab Limited, U.K.	Castleton Investment Limited, Mauritius
Holding company / ultimate holding company of the above shareholders *	
GlaxoSmithKline plc, U.K.	Wellcome Limited, U.K.
GlaxoSmithKline Finance plc, U.K.	The Wellcome Foundation Limited, U.K.
SmithKline Beecham Limited, U.K.	Wellcome Consumer Healthcare Limited, U.K.

\* no transactions during the year

- (ii) Other related parties in the GlaxoSmithKline (GSK) Group where common control exists and with whom the Company had transactions during the year:

SmithKline Beecham Private Limited, Sri Lanka	GlaxoSmithKline Australia Pty Limited, Australia
GlaxoSmithKline Pakistan Limited, Pakistan	GlaxoSmithKline Trading Services Limited, Ireland
GlaxoSmithKline Asia Private Limited, India	GlaxoSmithKline Limited, Hong Kong
GlaxoSmithKline Consumer Healthcare Limited, India	GlaxoSmithKline LLC, U.S.A.
GlaxoSmithKline Biologicals S.A., Belgium	GlaxoSmithKline Limited, Kenya
GlaxoSmithKline Services Unlimited, U.K.	Stiefel India Private Limited, India
GlaxoSmithKline Export Limited, U.K.	Glaxo Wellcome Ceylon Ltd., Sri Lanka
SmithKline Beecham Pharmaceuticals R & D, U.S.	US Pharmaceuticals, U.S.A.
Glaxo Operations UK Limited, U.K.	GlaxoSmithKline Ilaclari Sanayi ve Ticaret AS, Turkey
GlaxoSmithKline Pte Limited, Singapore	GlaxoSmithKline Manufacturing SPA, Italy

## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

(iii) Directors and members of GSK India Management Team and their relatives:

Dr. A. Banerjee (up to 31st July, 2012)	Mr. R. Balaria
Mr. A.N. Roy (w.e.f. 4th November, 2011)	Mr. R.C. Sequeira
Mr. C.T. Renganathan	Mr. R.R. Bajaaj
Mr. D.S. Parekh	Mr. R. Krishnaswamy (w.e.f. 16th March, 2011)
Mr. D. Sundaram	Mr. S. Harford *
Dr. H.B. Joshipura	Dr. S. Joglekar
Mr. H. Buch	Mr. Sunder Rajan (up to 17th February, 2012)
Mr. K. Hazari (w.e.f. 1st August, 2011)	Mr. S. Khanna
Mr. M.B. Kapadia	Mrs. S. Patel (up to 23rd May, 2011)
Mr. M.K. Vasanth Kumar (up to 1st August, 2011)	Mr. S. Dheri (w.e.f. 1st April, 2012)
Mr. N. Kaviratne	Mr. V. Narayanan (up to 9th November, 2012)
Mr. P. Bhide	Mr. V. Thyagarajan
Mr. P.V. Nayak	

\* no transactions during the year

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

(i) Dividend paid to parties referred to in item 1(i) above:

	Rupees in lakhs	
	2012	2011
Glaxo Group Limited, U.K. .. .. .	137,18.36	121,94.10
Eskaylab Limited, U.K. .. .. .	26,46.00	23,52.00
Burroughs Wellcome International Limited, U.K. .. .. .	15,12.00	13,44.00
Castleton Investment Limited, Mauritius .. .. .	14,36.51	12,76.90

(ii) Details relating to parties referred to in items 1(ii) above:

	Rupees in lakhs	
	Other companies in the GSK Group (ii)	
	2012	2011
1 Purchase of materials/traded goods .. .. .	323,49.86	260,95.18
2 Sale of materials/sale of products .. .. .	12,65.97	27,99.65
3 Sale of fixed assets .. .. .	—	74.91
4 Expenses recharged to other companies .. .. .	13,61.94	11,72.15
5 Research and development recoveries .. .. .	—	66.25
6 Expenses recharged by other companies .. .. .	15,70.78	13,77.74
7 Manufacturing charges recovered .. .. .	1,96.85	1,37.01
8 Consignment sales commission received .. .. .	29.85	48.94
9 Clinical research and data management recoveries .. .. .	45,41.18	40,96.17
10 Central Value Added Tax credits availed on behalf of a related party (net)	48.23	4,58.70
11 Employee benefits transferred to a related party .. .. .	13.71	85.46
12 Dividend received .. .. .	—	—
13 Outstanding (payables)/receivables at the year end (net) # .. .. .	(40,31.06)	(58,41.35)

# Transactions with the above parties are accounted in the respective current accounts.

(iii) Disclosure in respect of material transactions with parties referred to in item 1(iii) above:

	Rupees in lakhs	
	2012	2011
(a) Purchase of materials/traded goods		
GlaxoSmithKline Asia Private Limited, India .. .. .	150,93.26	129,79.44
GlaxoSmithKline Export Limited, U.K. .. .. .	127,40.84	98,61.95
(b) Sale of materials/sale of products		
SmithKline Beecham Private Limited, Sri Lanka .. .. .	3,80.85	3,21.92
GlaxoSmithKline Trading Services Limited, Ireland .. .. .	6,55.95	21,92.40
Glaxo Operations UK Limited, U.K. .. .. .	2,29.17	—
(c) Sale of fixed assets		
GlaxoSmithKline Services Unlimited, U.K. .. .. .	—	74.91
(d) Expenses recharged to other companies		
GlaxoSmithKline Asia Private Limited, India .. .. .	7,41.74	10,15.78
GlaxoSmithKline Trading Services Limited, Ireland .. .. .	5,51.91	67.85

**Notes to the Consolidated Financial Statements for the year ended 31st December, 2012** — *continued*

Rupees in lakhs

	2012	2011
(e) Research and development recoveries		
GlaxoSmithKline Services Unlimited, U.K. .. .. .	—	66.25
(f) Expenses recharged by other companies		
GlaxoSmithKline Consumer Healthcare Limited, India .. .. .	12,30.63	11,07.78
GlaxoSmithKline Services Unlimited, U.K. .. .. .	2,27.67	1,13.46
(g) Manufacturing charges recovered		
GlaxoSmithKline Asia Private Limited, India .. .. .	1,96.85	1,37.01
(h) Consignment sales commission received		
GlaxoSmithKline Asia Private Limited, India .. .. .	29.85	48.94
(i) Clinical research and data management recoveries		
GlaxoSmithKline Biologicals S.A., Belgium .. .. .	23,87.79	19,36.41
GlaxoSmithKline Services Unlimited, U.K. .. .. .	21,53.39	21,59.76
(j) Central Value Added Tax credits availed on behalf of a related party (net)		
GlaxoSmithKline Asia Private Limited, India .. .. .	48.23	4,58.70
(k) Employee benefits transferred to a related party		
GlaxoSmithKline Asia Private Limited, India .. .. .	13.71	85.46
(l) Outstanding (payables)/receivables at the year end (net)		
GlaxoSmithKline Asia Private Limited, India .. .. .	(26,34.62)	(16,98.94)
GlaxoSmithKline Consumer Healthcare Limited, India .. .. .	5,46.17	8,97.34
GlaxoSmithKline Biologicals S.A., Belgium .. .. .	3,16.74	(15,61.33)
GlaxoSmithKline Export Limited, U.K. .. .. .	(27,81.36)	(37,70.22)
GlaxoSmithKline Trading Services Limited, Ireland .. .. .	1,55.60	25.78
GlaxoSmithKline Services Unlimited, U.K. .. .. .	1,77.61	3,21.39
Glaxo Operations UK Limited, U.K. .. .. .	2,25.79	—
SmithKline Beecham Private Limited, Sri Lanka .. .. .	68.36	—
(iv) Details relating to persons referred to in item 1(iii) above:		

Rupees in lakhs

	2012	2011
1 Remuneration/commission/sitting fees .. .. .	15,53.28	13,35.37
2 Payments under the long-term incentive plan .. .. .	1,55.05	91.00
3 Interest income on loans given .. .. .	0.74	0.93
4 Rent for residential flat .. .. .	—	1.14
5 Outstanding loans receivable .. .. .	25.21	17.51
(v) Disclosure in respect of material transactions with persons referred to in item 1(iii) above:		

Rupees in lakhs

	2012	2011
(a) Remuneration/commission/sitting fees		
Dr. H.B. Joshipura .. .. .	3,07.04	3,13.06
Mr. M.B. Kapadia .. .. .	1,95.53	1,92.43
Dr. A. Banerjee .. .. .	3,03.97	1,09.55
(b) Payments under the long-term incentive plan		
Dr. H.B. Joshipura .. .. .	36.08	20.37
Mr. M.B. Kapadia .. .. .	25.09	14.15
Dr. A. Banerjee .. .. .	48.03	11.47
(c) Interest income on loans given		
Mr. H. Buch .. .. .	0.23	0.23
Mr. R. Bhatia .. .. .	0.18	0.19
Mr. S. Khanna .. .. .	0.12	0.17
Mr. S. Dheri .. .. .	0.21	*
(d) Rent for residential flat		
Dr. A. Banerjee .. .. .	—	1.14
(e) Outstanding loans receivable		
Mr. H. Buch .. .. .	7.60	7.73
Mr. R. Bhatia .. .. .	6.08	6.17
Mr. S. Khanna .. .. .	2.40	3.61
Mr. S. Dheri .. .. .	9.13	*

\* Not a related party during the previous year.

## Notes to the Consolidated Financial Statements for the year ended 31st December, 2012 — continued

- 46** The foreign currency outstanding balances that have not been hedged by any derivative instrument or otherwise as at the Balance Sheet date are as follows:

Particulars	Rupees in lakhs										
	Pound Sterling	United States Dollar	Euro	Japanese Yen	Singapore Dollar	UAE Dirham	Australian Dollar	Swiss Franc	Chinese Yuan	Malaysian Ringgit	Thailand Baht
Receivables	5.25 (1.64)	14,27.21 (10,03.56)	6,71.19 (4,28.85)	— —	0.54 (1.52)	0.15 (0.18)	— —	— (29.33)	0.01 —	0.01 —	0.01 —
Payables	9,74.36 (14,56.95)	27,09.67 (50,97.13)	78.34 (42.40)	— (2.49)	— —	— —	25.59 (29.32)	— —	— —	— —	— —

(Figures in brackets pertain to the year 2011)

- 47** Disclosures as required by Accounting Standard 19, "Leases", notified under sub-section (3C) of Section 211 of the Companies Act, 1956, are given below:
- The Company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are not non-cancellable and range between 11 months and 3 years under leave and licence, or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits under certain agreements.
  - Lease payments are recognised in the Statement of Profit and Loss under 'Rent' in Note 37.

## 48 Earnings per share

Net Profit		Rupees in lakhs	561,88.04	Previous year 428,58.75
Weighted average number of shares	.. .. .	Nos.	8,47,03,017	8,47,03,017
Earnings per share (Basic and Diluted)	.. .. .	Rs.	66.34	50.60
Face value per share	.. .. .	Rs.	10	10

- 49** Advance income-tax (net) represents payments in excess of provisions of Rs. 2801,65.35 lakhs (Previous year - Rs. 2504,09.08 lakhs) and includes a net tax refund with interest of Rs. 110,35.00 lakhs which has been held as provision pending the final outcome of a litigation.
- 50** The tax year for the Company and BSL being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2012 and the provision based on the figures for the remaining nine months up to 31st December, 2012, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2012 to 31st March, 2013.
- 51** The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements". Notified under sub-section (3C) of Section 211 of the Companies Act, 1956.

## 52 Previous year figures

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

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

Asha Ramanathan  
Partner  
Membership No. 202660

Mumbai, 19th February, 2013

For and on behalf of the Board

Vice-Chairman V. THYAGARAJAN  
Managing Director Dr. H. B. JOSHIPURA  
Senior Executive Director M. B. KAPADIA  
Company Secretary A. A. NADKARNI

Mumbai, 19th February, 2013

# Accolades

GSK was conferred awards of  
repute in 2012



India's most admired company in Pharmaceutical space by HAY Group and Fortune Magazine.



Paediatrician's Award for the Best Vaccine Company of the Year by Frost & Sullivan.



Dr. H. R. Nanji Memorial Marketing Excellence Award for CCM in the 'Existing Pharmaceuticals Product' category from OPPI (Organisation of Pharmaceutical Producers of India)

## Improving quality of life

GSK remains committed to Research and Development of medicines, improving the quality of life and addressing patient needs. Maintaining the **"patient first"** approach, our scientists across the world continue to work towards discovering new medicines that prevent, treat or cure diseases.

The company has trained 56 new investigators on Good Clinical Practices and protocol-related science at approximately 40 clinical trial sites across India. Quality continues to be a priority and to strengthen the quality of data, the team has enhanced its existing quality standards, and simplified systems and processes.

This will further aid in generating accurate and significant data, and ensuring that the rights and safety of patients taking part in our studies are protected.





## Nurturing talent

Employees are collaborators in building the organization, achieving growth and enhancing reach. Besides attracting the right talent, the focus on developing, retaining and encouraging growth have been of prime importance to GSK. **Capability Building, Talent Management and Employee Engagement continued to be the key focal points.**

Talent management is a long term continuous process. Emphasizing on building talent at various levels, there has been external hiring as well as development of internal talent. With an aim to build a leadership pipeline and further build capabilities in new therapy areas, there was recruitment across levels in these therapy areas. Having identified the right internal talent, a clear growth plan was designed for them. This included moving some employees on international assignments with a view to enhancing their development and bringing back best practices.

Addressing the need to further develop leadership and coaching skills, our First Line Leadership Program and the Leading Delivery Program continued. To develop and embed a coaching culture, a companywide program on **“Practical Coaching at Workplace”** was carried out with the maximum number of Managers being trained. Sales training continued with the same energy with all front-line sales persons and managers being accredited.

Developing individual empowerment remained a key strategic priority and was successfully achieved with Empowerment League 2012. This initiative not only engages and empowers employees but it provides them an opportunity to contribute and work on ideas of their choice. It is a platform to reach out to the larger organization, thus driving the strategic priority of individual empowerment and embedding it in our high performance behaviors.

Rewards and recognition took a centre stage with over **387 employees being awarded the AAA (Acknowledge, Appreciate, Applaud) for their contribution to the GSK values and implementation of strategic imperatives.** A number of other recognition programs including Bravo Card and Star Awards continue to run successfully, further motivating employees. To ensure employee wellness and wellbeing, GSK provides them a confidential counseling service. GSK is one of the early ones to provide this service to employees.

Employees are encouraged to contribute to the society and there is active participation in these programs. While **‘PULSE’** motivates employees to engage in brief assignments with social organizations, **‘Orange Day’** is a day long annual initiative where employees volunteer to carry out field work with identified non-profit organizations.

# Touching lives

Our community development projects are focused on healthcare, education and sustainable livelihoods to the underserved and underprivileged targeting women, children and the elderly. Our projects are designed to have a sustainable impact.

**Gramin Arogya Vikas Sanstha (GAVS)**, with partner NGO, **Niramaya Health Foundation** now covers



60 villages through 9 health centres and mobile clinics in Nashik, Maharashtra. The project has impacted 30,000 direct beneficiaries and 1.25 lakh indirect beneficiaries through health checkups and educative sessions. GAVS in partnership with **Kherwadi Social Welfare Association (KSWA)** has worked towards “enhancing employability through Vocational and Skill Development Training” covering 1000 underprivileged rural tribal youth in Nashik.

Our support to **Institute for Indian Mother and Child (IIMC)** continued, covering more than 1.2 lakh mothers for maternal and child health.

Through **Niramaya Health Foundation**, GSK reached out to the Deonar dumping grounds, Mumbai, catering to the immediate health care needs of 30,000 slum dwellers. A computer education center has also been set up.

**Strengthening Immunization in Mumbai Slums (SIMS)** is a collaborative pilot project with **PATH**. The objective has been to design a Web based information system to review data and target at covering all children for routine immunization. A population of five lakhs was covered in five health posts. This system has increased coverage from 34% to 51%.



**Over 120 cancer screening camps** were conducted in partnership with **Sri Chaitanya Seva Trust**, 100 cancer patients were rehabilitated by **Indian Cancer Society** and support to **The Bangalore Hospice Trust, Karunashraya** continued. In our fifth year of partnership with **Pratham** in Behraich and Jodhpur, of 98 children, 30 were repatriated with follow up on their education. We continued to support the severely orthopedically disabled underprivileged children of **Paraplegic Foundation**, Mumbai.

While our **Mid Day Meal Program** in association with **ISKON** food relief, supported over 1000 children in Mumbai municipal schools leading to an increase in enrolment in schools, the **Personal Hygiene and Sanitation Education (PHASE) Program** supported by GSK Plc completed another successful year through **Pratham**.





Helping people do **more**,  
feel **better** and live **longer**



GlaxoSmithKline

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**FORM A**

1.	Name of the Company	GlaxoSmithKline Pharmaceuticals Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> December 2012
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable

For Price Waterhouse & Co., Bangalore  
Firm Registration No. 007567S  
Chartered Accountants

*Asha Ramanathan*  
Asha Ramanathan  
Partner  
Membership No. 202660

*Dr. Hasit Joshipura*  
Dr. Hasit Joshipura  
Managing Director

*Mehernosh Kapadia*  
Mehernosh Kapadia  
Senior Executive Director

*D. Sundaram*  
D. Sundaram  
Audit Committee Chairman

Mumbai, 19<sup>th</sup> February 2013

*Ac*