

P&G

Gillette India Limited



Gillette®



**ANNUAL REPORT
2017-2018**

CONTENTS

Chairman's Letter	3
Managing Director's Letter.....	4-5
Report of the Directors	6-30
Management Discussion & Analysis	31-33
Corporate Governance	34-47
Auditors' Report	48-53
Balance Sheet	54
Statement of Profit & Loss	55
Cash Flow Statement	56-57
Statement of Changes in Equity.....	58
Notes forming part of the Financial Statements	59-102
Ten Year Financial Highlights	103



Corporate Information

Board of Directors & Key Managerial Personnel

Mr. Bansidhar S. Mehta	Chairman
Mr. Madhusudan Gopalan	Managing Director
Mr. Karthik Natarajan	Whole-time Director
Mr. Chittranjan Dua	Director
Mr. Gurcharan Das	Director
Mr. Anil Kumar Gupta	Director
Mr. Narendra P. Sarda	Director
Mr. Pramod Agarwal	Director
Ms. Sonali Dhawan	Director
Mr. Gagan Sawhney	Chief Financial Officer
Mr. Ghanashyam Hegde	Company Secretary

Registered Office:

Gillette India Limited

(CIN: L28931MH1984PLC267130)
P&G Plaza, Cardinal Gracias Road,
Chakala, Andheri (East),
Mumbai – 400 099
Tel. No.: (022) 2826 6000 Extn: 7468
e-mail – investorgil.im@pg.com

Registrar & Share Transfer Agents:

Mas Services Limited

T-34, 2nd Floor,
Okhla Industrial Area, Phase II,
New Delhi – 110 020
Tel. No. – 011 2638 7281 / 82 / 83
Fax – 011 2638 7384
e-mail – info@masserv.com

Auditors:

Statutory Auditor:

Kalyaniwalla & Mistry LLP
Chartered Accountants

Secretarial Auditor:

Dholakia & Associates LLP
Company Secretaries

Listed on Stock Exchanges:

National Stock Exchange of India Limited
BSE Limited





Mr. B. S. Mehta
Chairman

Mr. Mehta is a graduate in commerce and a Fellow Member of The Institute of Chartered Accountants of India. He is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a Director on the Boards of several prominent companies in India.



Mr. Karthik Natarajan
Whole-time Director

Mr. Natarajan is a Chartered Accountant and has completed his Bachelor of Commerce from RA Podar College, Mumbai. Mr. Natarajan has been with P&G for over 18 years and is currently the Director, Finance & Accounting, India, Middle East & Africa. He has, over his experience at P&G, worked across multiple locations including India, US, China, Philippines and Singapore.



Mr. Gurcharan Das
Director

Mr. Das graduated with honors from Harvard University. He was CEO, Procter & Gamble India and later Managing Director, Procter & Gamble Worldwide (Strategic Planning). After a 30-year career, he took early retirement to become an author. He is on a number of Boards and is a regular speaker to the managements of the world's largest corporations.



Mr. N. P. Sarda
Director

Mr. Sarda is a Chartered Accountant and was the President of The Institute of Chartered Accountants of India in 1993-1994. He was a member on the Board of the erstwhile International Accounting Standards Committee, London in 1993-1995. He was also a member of IFRS Advisory Council, London during 2009 to 2011.



Ms. Sonali Dhawan
Director

Ms. Dhawan is a graduate from Lady Shriram College, with a B.Com (Hons) in Business Studies. She completed her MBA in marketing from the Indian Institute of Management, Ahmedabad. She has been awarded as 'Marketer of the Year FMCG' by IAA awards in 2014 and had been rated twice as Number 7 in the IMPACT 50 most influential women in Marketing and Advertising.



Mr. Madhusudan Gopalan
Managing Director

Mr. Madhusudan Gopalan is an alumnus of IIM Calcutta who joined P&G in 1999. He has more than 18 years of experience working across business units and diverse geographies like India, US and ASEAN countries. Prior to this role, he was leading the P&G business in Indonesia where he led strong sales growth, share turn around, strong value creation and cash productivity.



Mr. C. R. Dua
Director

Mr. Dua is the founding partner of Dua Associates and is currently chairman of the firm and engaged in providing strategic advice and direction for its further growth and development. His experience covers a broad range of areas relating to corporate and commercial matters, corporate finance, securities, infrastructure and aspects of public policy and administration, governance and ethics.



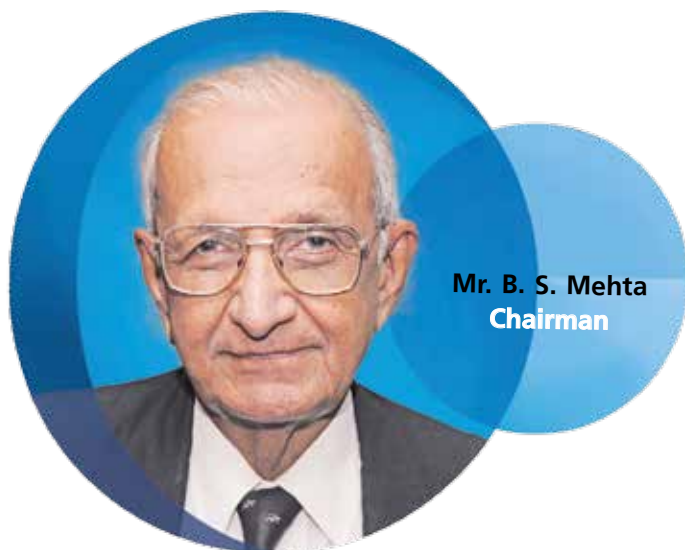
Mr. A. K. Gupta
Director

Mr. Gupta is an engineer from IIT New Delhi. He also holds a PG Diploma in Industrial Management from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has a vast experience of over 40 years in India and abroad in the field of Manufacturing, Projects and Supply Chain Management.



Mr. Pramod Agarwal
Director

Mr. Agarwal is an MBA from Indian Institute of Management, Ahmedabad. After over 28 years of experience with P&G, he retired in 2016. He has worked in seven geographies – India, Thailand, Japan, Philippines, USA, Singapore and Switzerland. Mr. Agarwal has led several major changes which have had a lasting impact on the business and organization.



Mr. B. S. Mehta
Chairman

Dear Shareholders,

It gives me great pleasure to share with you the performance of your Company for the Financial Year 2017-18. During the Financial Year, the industry witnessed a transformation in the business environment with the rollout of the Goods and Services Tax (GST). The introduction of GST led to a uniform and integrated tax system across the country creating 'One Market' that benefits both consumers and businesses. While GST is a landmark reform, its implementation posed several short-term challenges to the industry creating a subdued trade sentiment. Your Company navigated through this macroeconomic shift with agility. This is reflected in our strong performance during the Financial Year. We delivered Sales of ₹1,677 crores up by 7% vs. a year ago on a comparable* basis and recorded a Profit After Tax (PAT) of ₹229 crores.

Our continued focus on strengthening business fundamentals and improving productivity enabled us to achieve sustainable growth during this challenging period.

The overall outlook for the FMCG industry continues to remain positive. We are witnessing trends like increased disposable income, increased consumer spending, growing youth population and increased rural consumption which will fuel the growth of the FMCG sector in years to come. In this dynamic environment, your Company will continue to focus on sustainable balanced growth and create shareholder value.

Your Company strives to improve the lives of millions around us not just through our products but also through our citizenship efforts. As one of the world's largest consumer company, we have a responsibility and an opportunity to make a difference. Our aspiration is to be a positive force for good and for growth across each area of our Citizenship work – Community Impact, Gender Equality and Environment Sustainability.

In the area of community impact, our focus is to bring about a change through two main initiatives – our flagship CSR program *P&G Shiksha* and timely disaster relief. Through *P&G Shiksha*, we have supported over 1800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children. In addition to our focus on infrastructure, over the recent years, we have also identified and supported innovative learning to improve the learning outcomes like remedial learning and computer-based adaptive learning.

On the environmental sustainability front, we're making good progress as we are already on our way to achieving several goals that we set for 2020. Looking ahead, we have established broad-reaching Ambition 2030 goals aimed at enabling positive impacts on the environment while creating value for consumers and shareholders.

Lastly, I would also like to express my gratitude to all our consumers, customers, employees, business partners and YOU, our valued shareholders for your support and participation in the growth of your Company. We are keenly focused on creating value for our stakeholders. We will continue to innovate and bring superior products to consumers and sustainably grow the business.

B. S. Mehta
Chairman

* Sales excluding GST/excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.



**Mr. Madhusudan
Gopalan
Managing Director**

Dear Shareholders,

It gives me great pleasure to share with you the overall performance of your Company in 2017-18. It was a challenging year for the industry with market volatility and economic uncertainty. In a dynamic business environment, our ability to adapt to changes with agility enabled us to deliver sustainable growth. We continued to raise the bar across everything we do to continue to accelerate our sales growth further, improve productivity and empower our organization and culture to deliver sustained balanced growth.

Your Company delivered strong growth recording Sales of ₹1,677 crores and Profit After Tax (PAT) of ₹229 crores for the Financial Year 2017-18. Sales grew 7% versus year ago on comparable* basis. This growth was a result of strong brand fundamentals, strength of the portfolio and improved in-store execution.

In the Men's Grooming business, *Gillette* continues to be the market leader. Our irresistible superiority on product and commercial innovations continued to add millions of new users to the *Gillette* franchise. On *Gillette Mach3*, India's leading premium system razor, we strengthened brand fundamentals and step changed the go-to-market plans. *Gillette Guard*, our pioneering entry-level system, registered its strongest year on value, volume and share growth, since its launch in 2010, behind strong awareness, activation and go-to-market plans. In the brand's female portfolio, we launched a new product '*Simply Venus*', a 3-blade disposable razor, catering to the grooming needs of female consumers. As a result of key interventions across the *Gillette* portfolio; this Financial Year we recorded our highest market share increase across the Blades and Razors category in a single Financial Year.

During the Financial Year, our Oral Care Business delivered extremely strong results and grew share as well as penetration. This Financial Year, we have strengthened our brand proposition behind meaningful innovations like *Cavity Defense Black* and the launch of India's first *Neem* infused toothbrush. These innovations coupled with extremely strong go-to-market execution were received extremely well by the consumers and trade helping us grow significantly ahead of the category.

* Sales excluding GST/excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.

We also continue to drive positive change through our brands. *Oral B* partnered with dentists to promote oral health awareness via the free dental check-up program. *Gillette* continues to run the 'Safalta' program for youngsters in the country to train and mentor them on soft-skills that help them secure employment.

As a responsible corporate citizen, we want to be a force for good and a force for growth, not just through our brands, but also through initiatives that bring about a positive change in the communities we operate in. Through our flagship CSR program *P&G Shiksha*, we have supported over 1,800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children. Over the recent years, we have identified and supported initiatives learning to improve the learning outcomes. Two years ago, *P&G Shiksha* entered into a partnership with Education Initiatives (EI) and Government of Rajasthan to implement *Mindspark*, a computer based adaptive learning solution that integrates pedagogy, teacher instruction and a learning management system to help students learn better. We were happy to see that post the intervention, the learning levels among students using *Mindspark* improved two-fold compared to the control group.

The FMCG sector continues to be one of the largest sectors contributing to the Indian economy. As the Indian economy stabilises, we will continue to focus on balanced growth behind brand fundamentals, strength of product portfolio and improved in-store execution.

Madhusudan Gopalan
Managing Director

REPORT OF THE DIRECTORS

Your Directors have the pleasure of presenting the 34th Annual Report and the Audited Financial Statements of the Company for the Financial Year ended June 30, 2018.

FINANCIAL RESULTS

(Figures in ₹ Crores)

	2017-18	2016-17
Revenue from operations	1 677	1 788
Profit before tax	345	374
Profit after tax	229	253

FINANCIAL YEAR

The Company continues to follow its Financial Year as July 1st to June 30th, pursuant to the approval received from the Company Law Board in terms of Section 2 (41) of the Companies Act, 2013.

DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 23 per Equity Share for the Financial Year ended June 30, 2018.

BUSINESS PERFORMANCE

Your Company delivered another strong year with Sales of ₹ 1,677 crores and Profit After Tax (PAT) of ₹ 229 crores for the Financial Year 2017-18. Sales grew 7% versus year ago on comparable* basis. The reported sales were down 6% versus year ago due to changes in the treatment of indirect taxes post implementation of GST.

Both the Grooming and Oral Care businesses delivered strong comparable sales growth, ahead of market behind strong brand fundamentals, strength of the portfolio and improved in-store execution.

GROOMING

In the Men's Grooming business, *Gillette* continues to be the market leader. Our irresistible superiority on product and commercial innovations continued to add millions of new users to the *Gillette* franchise.



On *Gillette Mach3*, India's leading premium system razor, we strengthened brand fundamentals and step changed the go-to-market plans. *Gillette Guard*, our pioneering entry-level system, registered its strongest year on value, volume and share growth, since its launch in 2010, behind strong awareness, activation and go-to-market plans.



* Sales excluding GST/excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.

In the brand's female portfolio, we launched a new product 'Simply Venus', a 3-blade disposable razor at an affordable price to cater to the grooming needs of female consumers. As a result of key interventions across the *Gillette* portfolio; this year we recorded our highest market share increase across the Blades and Razors category in a single Financial Year.

Gillette Double Edge blades continued to grow primarily led by 7-o'clock and *Wilkinson Sword* brands.

ORAL CARE

After a challenging Financial Year 2016-17, *Oral-B* delivered extremely strong results in Financial Year 2017-18 growing volume share, value share and penetration for the brand. We had strong, broad based results across different brush tiers. In the premium tier we upgraded the packaging to establish superiority and corrected the price of our brushes to ensure we are intentionally up-tiering consumers from entry & mid-tier. We also expanded the trial of our *Electric rechargeable toothbrushes* working closely with our dentist partnership team and our e-commerce players. In mid-tier, we step changed our proposition behind meaningful innovations like *Cavity Defense Black* and the launch



of India's first *Neem* infused toothbrush. These innovations coupled with extremely strong go-to-market execution were received extremely well by the consumers and trade helping us to grow significantly ahead of the category.

We continued to leverage our targeted trial programs and deeper distribution plans enabling more consumers to have access to superior *Oral-B* brushes.

Your Company continued its partnership with dentists, to promote oral health awareness via the free dental checkup program. *Oral-B* manual brushes continued to be the most recommended and used toothbrush brand among dentists in India (based on survey of representative dentists sample in India).



CORPORATE SOCIAL RESPONSIBILITY

The only way to build a sustainable business is to improve lives



For your Company, sustainability means making every day better for people through how we innovate and how we act. As a responsible corporate citizen, we have built sustainability into the way we operate and grow our brands to conserve natural resources and make a difference to communities across the world. This strategy has inspired an enduring CSR strategy supported by two pillars – *P&G Shiksha* and *Timely Disaster Relief*. While *P&G Shiksha* provides children from underprivileged backgrounds with an access to a holistic education, your Company's disaster relief activities aim to rehabilitate and empower the victims of natural disasters by providing them with daily essential commodities and safe drinking water.

Through your Company's signature corporate sustainability program *P&G Shiksha*, till date we have supported over 1800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children, in partnership with a number of NGOs / organizations like — *Round Table India (RTI)*, *Pratham*, *Education Initiatives*, amongst others. These partners serve as specialists, lending their expertise to particular aspects of the education system. For example, the NGO RTI is dedicated towards constructing educational infrastructure and supporting schools across India. Pratham has special expertise in remedial learning to help bring children up to speed with the learning levels in their curriculum. Education Initiatives (EI) has expertise in computer assisted learning software to improve learning levels among children.

Since its commencement in 2005, *P&G Shiksha* has also empowered consumers to contribute towards the education of underprivileged children by making conscious brand choices. This has enabled your Company to share a part of the sales towards

this movement. *P&G Shiksha* has till date made a cumulative donation of over ₹ 80 crores towards building new schools, providing critical infrastructural amenities at existing schools or reviving non-operational government schools.

A key area of our intervention is *Remedial Learning*. We have partnered with *Pratham Education Foundation* to improve the learning outcomes and bridge the existing gap between current and existing learning levels. The results on remedial learning were phenomenal; we reached out to more than 670 schools and over 24,000 children; and saw the learning levels in the children rise at the end of the year following our interventions. Before the intervention, around 20% children in these schools were able to read and write as per their curriculum level, which increased to around 70% after our intervention. Similarly, there was more than a two-fold increase in the percentage of children who were able to do basic arithmetic after our intervention.

Two years ago, *P&G Shiksha* entered into a partnership with Education Initiatives (EI) and Government of Rajasthan to implement *Mindspark*, a computer based adaptive learning solution that integrates pedagogy, teacher instruction and a learning management system to help students learn better. The tool analyses the learning levels of the students in language and mathematics by presenting them with questions in increasing level of difficulty. On answering incorrectly, the student is provided a simple or detailed explanation, or is redirected to questions that strengthen the basic understanding. The program was implemented in 30 government schools in Rajasthan where over 6700 students spent over 10,000 hours learning using *Mindspark*. Post the intervention, the learning levels among students using *Mindspark* improved two-fold compared to the control group. The tool also provides teachers with information on the progress and learning levels of students which is used for effective classroom management and instruction.