

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

Annual Report

For the 15 months period ended March 31, 2014

NEW Horlicks GOLD



Slow Roasting
Locks in Goodness



Unlocking
Rich Aroma



Finest Chosen
Ingredients



Rich, Creamy Cup
of Perfect Horlicks



Now in a Glass Jar

Horlicks Gold is a nourishing beverage to be consumed as part of regular daily diet. Contains micronutrients known to improve 5 signs of growth. Claims based on a study conducted in 1999-2000 and published in Journal of Nutrition 22(2000)51-53, comparing micronutrient enriched beverage vs. non fortified placebo.



GLAXOSMITHKLINE
CONSUMER HEALTHCARE LIMITED

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Chairman

Simon J. Scarff, O.B.E (till 30.4.2013)
Subodh Bhargava (w.e.f. 1.5.2013)

Managing Director

Zubair Ahmed

Directors

Kunal Kashyap
Mukesh H. Butani
Naresh Dayal
P. Dwarakanath
Jaiboy J. Phillips
Ramakrishnan Subramanian
Jonathan Box (w.e.f. 9.4.2013)
Ireena Vittal (w.e.f. 1.5.2013 till 30.4.2014)

Company Secretary

Surinder Kumar (till 31.7.2013)
Sonali Khanna (w.e.f. 1.8.2013)

Bankers

Deutsche Bank
Citibank N.A.
BNP Paribas
State Bank of India
HDFC Bank Limited
The Hongkong & Shanghai Banking Corporation Limited
Dena Bank
ICICI Bank Limited
State Bank of Patiala
Andhra Bank
JP Morgan Chase Bank N.A.
ANZ Bank
DBS Bank Limited
Standard Chartered Bank
Punjab National Bank

Auditors

Price Waterhouse

Registered Office

Patiala Road, Nabha – 147 201 (Punjab)

Head Office

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

Registrars And Transfer Agents

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

Website: www.gsk-ch.in

Investor Email ID: investor.2.co@gsk.com

Corporate Identity Number: L24231PB1958PLC002257



Financial Statistics

Ten Year Financial Statistics

(Rs. Lacs)

	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	2013-14* (15 Months)
SOURCES OF FUNDS										
SHARE CAPITAL	45,38	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06
RESERVES & SURPLUS	4,83,92	4,33,06	5,00,66	6,04,29	7,18,82	8,63,04	9,17,98	11,02,12	13,18,92	17,70,79
TOTAL SHAREHOLDERS' FUNDS	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04	11,44,17	13,60,98	18,12,85
FUNDS EMPLOYED	5,29,30	4,75,11	5,42,72	6,46,35	7,60,88	9,05,10	9,60,04	11,44,17	13,60,98	18,12,85
DEFERRED TAX LIABILITIES	31,98	27,60	24,07	17,28	6,58	-	-	-	-	-
TOTAL	5,61,28	5,02,71	5,66,79	6,63,63	7,67,46	9,05,10	9,60,04	11,44,17	13,60,98	18,12,85
APPLICATION OF FUNDS										
GROSS FIXED ASSETS	5,04,63	5,17,74	5,28,21	5,40,99	5,55,34	5,96,26	7,07,29	7,85,82	8,53,48	8,93,07
DEPRECIATION	1,97,24	2,33,95	2,70,32	2,97,65	3,29,24	3,64,00	3,96,71	4,35,97	4,62,40	5,14,71
NET FIXED ASSETS	3,07,39	2,83,79	2,57,89	2,43,34	2,26,10	2,32,26	3,10,58	3,49,85	3,91,07	3,78,36
INVESTMENTS	-	-	2,19,68	2,97,83	0.05	0.05	0.05	-	-	-
DEFERRED TAX ASSET	-	-	-	-	-	11,01	26,73	39,89	61,63	90,30
NET ASSETS (CURRENT AND NON CURRENT)	2,53,89	2,18,92	89,21	1,22,46	5,41,36	6,61,83	6,22,73	7,54,44	9,08,28	13,44,19
TOTAL	5,61,28	5,02,71	5,66,79	6,63,63	7,67,46	9,05,10	9,60,04	11,44,17	13,60,98	18,12,85

*2011, 2012 and 2013-14 based on Revised Schedule VI

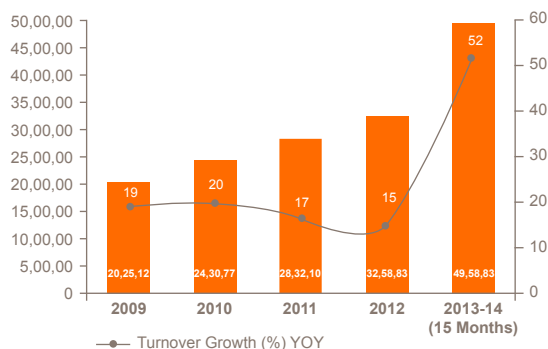
Ten Year Track Record

(Rs. Lacs)

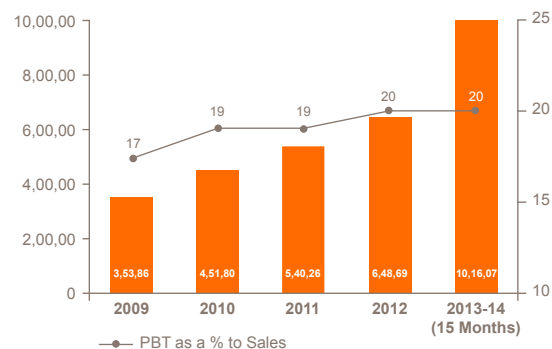
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013-14 (15 Months)
TURNOVER	9,81,72	10,89,02	12,10,19	13,96,14	17,00,45	20,25,12	24,30,77	28,32,10	32,58,83	49,58,83
PROFIT BEFORE TAX	1,15,68	1,62,42	1,90,57	2,45,12	2,85,71	3,53,86	4,51,80	5,40,26	6,48,69	10,16,07
NET PROFIT	73,16	1,07,15	1,26,93	1,62,68	1,88,33	2,32,78	2,99,85	3,55,21	4,36,76	6,74,75
DIVIDEND PAYOUT	31,77	33,64	42,06	50,47	63,08	75,70	2,10,28	1,47,19	1,89,25	1,89,25
CORPORATE DIVIDEND TAX	4,15	4,72	5,90	8,58	10,72	12,87	34,92	23,88	30,70	32,16
RETAINED EARNINGS	37,24	68,79	78,98	1,03,63	1,14,53	1,44,22	54,65	1,84,13	2,16,80	4,51,87
DIVIDEND (%)	70	80	100	120	150	180	500	350	450	450
EARNINGS PER SHARE (Rs.)	16.12	24.84	30.18	38.68	44.78	55.35	71.30	84.46	103.85	160.44
NUMBER OF SHARE HOLDERS	28,048	24,571	24,019	22,315	22,548	22,443	22,867	25,639	27,020	26,423

Financial Highlights

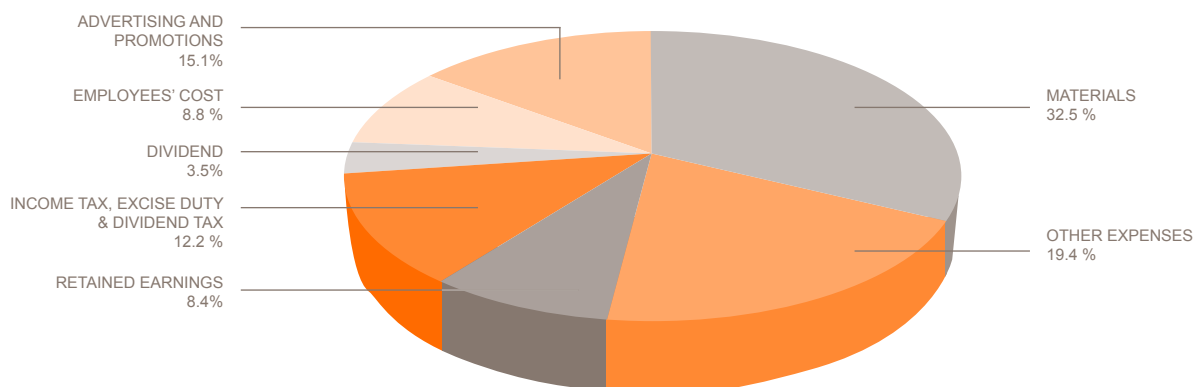
Turnover
(Rs. Lacs)



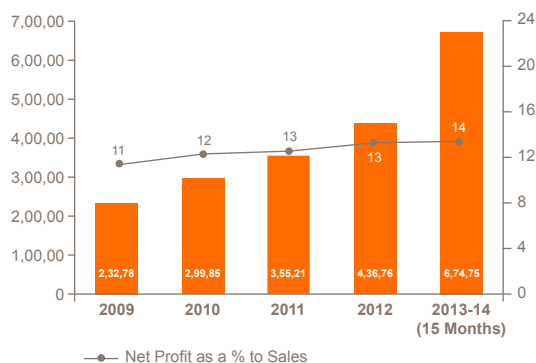
Profit Before Tax
(Rs. Lacs)



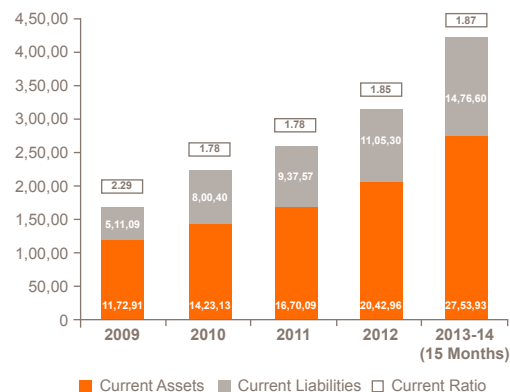
Utilization of Income 2013-14 (15 Months)



Net Profit
(Rs. Lacs)



Current Ratio (Times)
(Rs. Lacs)



Directors' Report

Your Directors are pleased to present the Annual Report on the business and operations of your Company and the audited accounts of the Company for the 15 months period ended March 31, 2014. The Accounting year of the Company has been changed from January-December to April-March in line with the provisions of the Companies Act, 2013, which prescribe a uniform financial year. This change also brings in simplification and avoids duplication in preparation and audit of accounts separately under the Companies and the Income Tax Acts. Accordingly, current year's Annual Accounts and Report of the Company are for a period of fifteen months, from January 1, 2013 to March 31, 2014. These figures, therefore, are not comparable with those of the previous year ended December 31, 2012.

Financial Results

	(Rs. Lacs)	
	15 Months ended March 31, 2014	12 Months ended December 31, 2012
Revenue from operations (Net)	51,44,48.58	33,66,97.01
Profit before Depreciation, Amortisation and Tax	10,78,61.86	6,84,77.22
Less: Depreciation	62,54.66	36,08.37
Profit Before Tax	10,16,07.20	6,48,68.85
Less: Provision for Tax		
- Current Tax	3,70,00.20	2,33,70.05
- Deferred Tax	(28,67.68)	(21,73.66)
- Adjustment of Previous Years	0.00	(3.12)
	3,41,32.52	2,11,93.27
Profit After Tax	6,74,74.68	4,36,75.58
Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.		
Appropriations		
Proposed Final Dividend	(1,89,24.99)	(1,89,24.99)
Corporate Dividend Tax	(32,16.30)	(30,70.11)
Differential dividend distribution tax pertaining to previous year	(1,46.20)	0.00
Transferred to General Reserves	(67,47.47)	(43,67.56)
	(2,88,88.76)	(2,63,62.66)
Earnings Per Share (Rs.) (Basic & Diluted)	160.44	103.85

Performance of the Company

Your Company has delivered yet another year of strong performance, with each of the 5 quarters during the current financial year recording double digit profitable growth. Your Company has now achieved consistent double digit profitable growth for the ninth year in a row. Sales and PAT for the 15 months ended March 31, 2014 were Rs. 46,82,91.64 Lacs and Rs. 6,74,74.68 Lacs respectively.

All Horlicks and Boost variants recorded strong double digit growth during the year, with Chocolate Horlicks and Women's Horlicks doing exceedingly well. The current year witnessed a strong campaign which strengthened the "Horlicks increases the Power of Milk" proposition, where the role of Horlicks was highlighted in light of making up for the nutrient loss that boiling of milk causes. The campaign was aimed at building a higher emotional connect with the consumer by acknowledging a mother's role in the multi-faceted performance of her child through Horlicks.

The Horlicks extensions range of brands continued to do exceedingly well with the year witnessing innovative campaigns and impressive all round performance with key milestones being achieved. Junior Horlicks was repositioned during the year with focus on holistic and brain development of the child, which was complemented with consumer centric promotions, strong on ground activations and impressive visibility in trade. The year also witnessed a promotional tie up with the extremely popular reality TV Show – Indian Idol Junior, wherein every Horlicks household stood a chance to perform on the Indian Idol Stage. This

saw great traction from consumers with key mind measures showing upward movement and market share gains in core markets. Women's Horlicks witnessed an exceptional year with superlative performance and crossed the Rs. 100 Crores mark during 2013. This was achieved on the back of the new "Bone Health" proposition which was brought to life through a new thematic communication as well as bone density test led activation across all major metros. Horlicks Lite was re-launched during the year with emphasis on "Manage the impact of stress factors on the body". The product has been received well after the re-launch. Mother's Horlicks was re-launched during the year in its new vanilla flavor having superior taste and improved miscibility.

The year also witnessed the launches of Horlicks ProMind and Horlicks Kesar Badam. Horlicks ProMind, positioned as specialized nutrition for brain function, was launched to meet the critical need of mental development and sharpness especially amongst mothers of older kids. Horlicks Kesar Badam was launched on the proposition of a great tasting product containing "Real Kesar and Badam" combined with the Horlicks "5 signs of growth" claim. Both these variants have been accepted well by the consumer.

Boost, which stands for 'energy' and 'winning' at its core, had yet another successful year delivering strong double digit growth. This performance was supported by innovative campaigns during the year through which Virat Kohli was revealed as the next brand ambassador of Boost. These campaigns engaged kids and moms alike, raising the brand love for Boost. The year also witnessed Boost restage which was supported with a strong media campaign leveraging its sports ambassadors M. S. Dhoni and Virat Kohli. The year also witnessed the launch of Boost in an exciting flavour, Boost Choco Nut, which connected well with kids on taste.

The Foods portfolio continued to deliver strong growth. Horlicks Oats more than doubled its business during the current year and now ranks second in terms of market share in South India. Horlicks Savory Oats, designed especially for today's fast-paced life, offers a convenient breakfast option that is rich in dietary fibre and proteins. It was launched in three flavours, Southern Spice, Classic Masala and Mild Kurma and has met with great success, ranking second in the segment within a short duration from launch. The Biscuits portfolio growth momentum continued during the current year, the year also witnessed the launch of Boost Biscuits.

The rural business continues to grow strongly on the back of strong activation, including sachet drives, across the nutritional category. Our rural programme has reached more than 16,000 villages now. Two key growth drivers in our rural programme are Horlicks Swasthya Abhiyan (HSA) and Village Level Entrepreneurs (VLE); HSA programme aims to improve the standard of living in rural areas, engaging with rural medical practitioners and community workers, thus creating awareness, education and relevance for our brands. VLE is our new initiative by which we are reaching out to bottom of the pyramid, and in this process, economically empowering rural women. We already have more than 200 VLE's across the country.

We are now opening a new frontier with the launch of a new programme for the Urban Emerging Consumer Class for slums in Mumbai and Chennai. We are also creating sales infrastructure in the top six metros, reaching out to around 10 million people by involving entrepreneurs and youth from local community. The programme extends Horlicks Health Mission to the schools in these slums.

Your Company's focussed cost management and working capital optimisation programme continued to deliver strong results in mitigating inflation and supporting profitable growth. Sustained improvement in working capital continued in the current financial year. The cost optimization programmes and returns from surplus cash arising from Working Capital initiatives have supported sustained investments in your Company's brands. The strong focus on cost management has helped us build a robust pipeline of cost saving initiatives to support our pursuit for profitable growth.

Dividends

The Directors recommend a total dividend of Rs. 45 per equity share of Rs. 10 each for the 15 months period ended March 31, 2014. If approved by the Members at the ensuing Annual General Meeting to be held on August 7, 2014, it will be paid on or before September 6, 2014 to those Members whose names appear in the Company's Register of Members and to those persons whose names appear as beneficial owners (as per the details to be furnished by the Depositories in respect of the shares held in dematerialised form) as at the close of business hours on July 30, 2014.

Reserves

The total Reserves as on March 31, 2014 stood at Rs. 17,70,79.38 Lacs representing an increase of 34.3% from December 31, 2012.

Exports

During the 15 months period ended March 31, 2014, your Company's export earnings amounted to Rs. 4,17,65.03 Lacs. The impressive performance in exports was driven by significant growth coming from Pakistan and Myanmar, achieved through various initiatives taken during the period. The period also witnessed strong performance from exports to Sri Lanka, Bangladesh, Middle East and Nepal. Your Company also exported to Kenya and Malaysia during the period.

Research and Development

The Research & Development (R&D) function continues to play a critical role in your Company's aspiration for profitable growth by developing consumer insight driven products of value, which are scientifically superior and differentiated from competition. The current period saw eleven new launches and restages in India including the re-launch of Junior Horlicks and a new flavor to drive additional consumption, new range of Horlicks Nutribic, premium nutrition biscuits, scientifically designed Promind formulation, Boost biscuits, and a new range of Savory Oats. In addition, efforts were also undertaken to drive effective development to enable the future growth agenda for export markets.

You will be pleased to know that your Company's R&D function is adopting best practices in consumer insights and driving differentiated science. The past 15 months also saw us focus on a few technology platforms to drive consumer delight (and thus category growth) as well as identify levers for sustainable cost advantage. 'Quality by Design' and 'Speed to Market' principles have been integrated into our product development processes. We continue to focus our efforts on commercializing differentiated science based innovations in all the categories we compete in, while keeping GSK values and compliance requirements in mind.

R&D continues to strongly partner with the business to further support profitable growth by delivering a strong value engineering programme, which helps in mitigating the inflationary impact from input costs. You will be proud to know that your Company's R&D is also working towards various environment sustainability initiatives. The R&D function has also partnered with Supply Chain for capacity enhancement projects and initiated work on long term manufacturing processes that are efficient from a capital and operational cost and also have a significantly lower carbon footprint.

Packaging is a critical success factor for winning with the consumers at the first and second moment of truth. Your Company's packaging team strives to excel in Packaging Innovation, Value Engineering savings and Technology platforms agenda. The team has delivered multiple patents on plastic technology and dispensing solutions and has been recognized externally through multiple Packaging Excellence awards. This is reflective of the continued superlative performance of your Company's packaging function.

The R&D function continues its focus on building a strong claims pipeline and having a robust regulatory strategy in place to support the innovation programme. Regulatory Affairs team has been closely engaging with regulators and key opinion leaders to help build your Company's reputation among various stakeholders.

You will be glad to know that your Company's R&D has significantly dialled up our reach to external technologies through the Open Innovation function. The Open Innovation team is working closely to bring external innovation to drive speed and unique technology advantages to our innovation portfolio. R&D is also involved in substantial work to progress the long range science and the new products to drive category leadership. Some of the high science differentiated products are in development and thus, making the innovation pipeline very robust in the medium to long term.

ISO Certification

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

Information Technology

Your Company continues to lead in integration of Information Technology for business efficiencies. The Information Technology function has been a key business enabler across all functions of the Company. During the period, your Company has rolled out projects with industry leading technology to strengthen the rural and upcountry Sales Force with mobile enabled solutions, upgrade the Medical Representatives to detail dentists using iPads and implement Transport Management Systems to strengthen our Supply Chain. It has also initiated a Customer Relationship Management system to get closer to your consumers. The Information Technology function continues to display excellent agility and innovation to address the challenging business and economic environment and has come up as a key growth enabler for your Company.

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

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

Directors

At the Annual General Meeting held on April 9, 2013 the following Directors were elected under the system of proportional representation, Mr. Kunal Kashyap, Mr. P. Dwarakanath, Mr. Naresh Dayal, Mr. Mukesh H. Butani, Mr. Jaiboy John Phillips, Mr. Ramakrishnan Subramanian and Mr. Subodh Bhargava. Mr. Jonathan Box was nominated as Director by Horlicks Limited under Article 97A of the Articles of Association of the Company w.e.f. April 9, 2013.

Mr. Zubair Ahmed's term as Managing Director ended on May 31, 2013. The Board of Directors, at its meeting held on February 15, 2013, re-appointed Mr. Zubair Ahmed as Managing Director of the Company for a period of 4 years i.e. from June 1, 2013 till May 31, 2017. The appointment was also approved by the shareholders at the Annual General Meeting held on April 9, 2013.

Mr. Simon Scarff ceased to be the Chairman of the Company from the close of business hours on April 30, 2013. The Board of Directors wishes to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Simon Scarff during his tenure as a Chairman. Mr. Subodh Bhargava was nominated as Director by Horlicks Limited. He was appointed by the Board of Directors as the Chairman of the Company in place of Mr. Simon Scarff w.e.f. May 1, 2013. Ms. Ireena Vittal was appointed as Director w.e.f. May 1, 2013, in the casual vacancy created by the resignation of Mr. Subodh Bhargava. She has thereafter resigned w.e.f. from May 1, 2014. The Board of Directors wishes to place on record its sincere appreciation for the valuable advice and guidance rendered by Ms. Ireena Vittal.

Auditors

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

Human Resource Development

Your Company looks at its human resources as a source of competitive advantage – we believe that it is our people who drive our business performance and are the key to our future growth plans. Our employment practices and talent programmes are aimed at ensuring that we have the best talent driving the business. We provide a highly performance oriented and value based culture to our employees to excel. The Company's expectations, introduced in 2013, define how our employees, leaders as well as team members must work to create sustainable growth for our organization. These have been embedded in our talent management processes enabling consistent ways of working across the Company. The new Performance Management System introduced effective 2014 reiterates our emphasis on exceptional results as well as the manner in which we achieve them. Our rewards are competitively aligned and linked to performance. Our values of Integrity, Transparency, Consumer First and Respect for People remain central to everything we do. The 'Winning Sales Skills' programme was launched to enhance the capability of our sales team. 'Manager as Coach' methodology was adopted for these sessions, where the sales managers played the role of Trainers, which

was very well received by the team. We continue to invest significantly in developing talent across levels leveraging processes such as Integrated Talent Management to ensure sustainability of talent and robust succession pipelines for all our key roles. Our focus on Differentiated Development ensures that employees are able to leverage a variety of opportunities to develop and take on larger and higher responsibilities in line with their career aspirations. Strong and transparent internal communication and a culture of empowerment along with our employee practices ensures that we have a highly engaged workforce that is truly aligned to the the Company's mission of 'do more, feel better, live longer'.

Environment and Social Commitment

Your Company is dedicated towards improving the quality of human life by enabling people to do more, feel better and live longer. As a global healthcare company, your Company believes that it can play an important role in meeting societal challenges through right engagement towards environmental and societal commitments. Your Company's philosophy is to target support to selected programmes that are innovative, sustainable and which produce tangible results.

Your Company's stated mission statement is "To lend a helping hand to the underserved in our society through the support of women, children and the aged in the areas of health and education". Towards implementing this philosophy in spirit, your Company continued its positive contributions during the current period to the communities and invested in health and education programmes and partnerships that aimed to bring sustainable improvements to under-served people.

The initiatives undertaken by your Company are primarily focused towards women, children and the aged and are directed in the areas of Health, Education and Livelihood.

Your Company undertakes these activities in 4 different ways:

A. Volunteer time and expertise: At the very foundation of your Company's CSR activities is 'PULSE' – the skills-based volunteering initiative that enables the Company's employees to volunteer their professional expertise towards making a sustainable difference to communities and patients in need. During the period, three of your Company's employees received an opportunity to make a difference by way of three month projects with reputed national and international NGOs.

Your Company also strived to improve the quality of life and partnering with the society to improve, rebuild and create awareness about important social issues through 'Orange Day' events, where your Company's employees collectively in various groups spend a day with NGOs and the needy. These events are led, implemented and managed by the Company's employees, thus taking forward the Company's philosophy of developing self and others.

B. Corporate Funding: We undertook numerous Community Partnership Projects through established credible NGOs in the sphere of children's education and healthcare, support to the homeless, education and empowerment of tribal children, sustaining healthcare and livelihoods of the tribal community across the country. Some of the major activities undertaken during the current financial year included initiatives for addressing major health issue "Kalazar" in North Bihar, sustaining healthcare and livelihood for the tribal community in Kalrayan hills near Salem in Tamil Nadu and providing support to widows and families, where farmers have committed suicide due to agrarian prices in Vidarbha, Maharashtra.

C. Direct Community Development: We undertook various initiatives to improve people's health and well-being and provide education for the under privileged in and around the factories located at Nabha Rajahmundry and Sonepat. We also donated our food products directly to various NGOs across country.

D. Relief and Rehabilitation in times of natural calamities and emergencies: Your Company supplies its nutritious food products to the needy in times of need and calamities. Products are also supplied to various schools and to pregnant mothers in localities and villages in and around our factories. During the period, your Company has made contributions in the following ways:

- Aiding relief work in Uttarakhand by providing Horlicks in partnership with Save the Children and Goonj.
- Supporting the flood affected people in Orissa by providing Horlicks and Biscuits.

Your Company received the Golden Peacock Award 2013 in two categories – Environment Management and Sustainability, during the last quarter. These awards recognise the work done by your Company on reducing carbon and water footprint across the supply chain.

Particulars of Employees

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

Management Discussion and Analysis Report

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

Acknowledgements

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

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

Your Directors look forward to the future with confidence.

For and on behalf of the Board

Subodh Bhargava
Chairman

Zubair Ahmed
Managing Director

R. Subramanian
Mukesh H. Butani
Directors

Place : Gurgaon
Dated : May 9, 2014

Annexure to the Directors' Report for the 15 months ended March 31, 2014

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

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

1. Steam

All the manufacturing sites have increased the usage of agri-waste bio-mass fuel (briquettes/pellets) for steam generation. This has resulted in a reduction of about 48,000 tonnes of CO₂ emissions, thereby significantly reducing carbon footprint and endeavouring support towards a clean and sustainable environment. Our Rajahmundry site has installed energy efficient Double-Effect Vapor Absorption system to reduce steam consumption. Rajahmundry, Nabha and Sonepat sites have enhanced thermal insulation and condensate recovery initiatives for better steam efficiencies.

2. Electricity

Several energy conservation initiatives have been carried out during the period.

- At Nabha, installation of Double-Effect Vapor Absorption system and energy efficient LED lights.
- At Rajahmundry, installation of Variable Frequency Drives on Multiple-Effect Evaporator and cooling tower pumps and energy efficient LED lights were carried out during the year.
- At Sonepat, optimization of equipment operations and control along with refurbishment of utility equipments were carried out during the period.

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

Various steps and measures are being initiated to continuously improve on consumption of coal and electricity at all the sites. Some of the major investments which are being contemplated are energy efficient motors and lighting systems at Nabha site, high pressure boiler based co-generation plant and energy efficient blowers at Rajahmundry site and throughput enhancement initiatives at Sonepat site. As a part of renewable energy initiative all the three

primary manufacturing sites are exploring the feasibility of Solar Photovoltaic captive power generation units. In order to further reduce the carbon footprint across all the primary manufacturing sites, usage of agri-waste biomass fuel is being pursued.

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

All the energy saving initiatives and projects implemented across sites have helped mitigate the inflation in fuel prices.

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

FORM "A"

	15 Months ended March 31, 2014	12 Months ended December 31, 2012
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Units (in Lacs)	5,86.66	3,35.29
Total amount (Rs. Lacs)	44,00.77	21,45.33
Rate/Unit (Rs.)	7.50	6.40
b) Own Generation		
1. DG Sets Units (in Lacs)	50.61	79.78
Units per litre of Diesel oil	3.47	3.65
Cost/Unit (Rs.)	15.58	11.13
2. Turbine Units (in Lacs)	22.84	23.75
2. Coal Used in Boilers		
Quality (Calorific value ranging between 2500 to 3500 BTU) Quantity (Tonnes)*	36,704	32,030
Total Cost (Rs. Lacs)	23,00.52	18,99.23
Average Rate (Rs.)	6,267.69	5,929.46
3. Bio-mass used in Boilers		
Quality (Tonnes)	36,576	16,490
Total Cost (Rs. Lacs)	20,85.72	10,08.84
Average Rate (Rs.)	5,702.40	6,117.91

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

B. Consumption per unit of Production:

	15 Months ended March 31, 2014		12 Months ended December 31, 2012	
	Coal/ Bio-mass	Power	Coal/ Bio-mass	Power
	MT	Units	MT	Units
1. Malt based Food/ Energy and Protein Health Food/Cereal based Food/Powdered Milk (Per Ton)	0.59	534	0.53	477
2. Ghee & Butter (Per Ton)	0.29	130	0.28	141

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

(1) Specific Areas in which R&D was carried out by the Company
R&D's key focus areas continue to be product innovation, new claims development, new product research, packaging development, cost saving initiatives, and regulatory compliance.

Further, various new initiatives have been taken to build a strong pipeline of new products and enhance consumption of existing products through product creativity and tapping new consumer needs.

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

New product launches, re-launches, novel claims and new packaging have collectively enabled business to sustain high growth rate and end the period with a good innovation pipeline, setting the platform for new launches in the future. Value engineering efforts have helped the business deliver profitable growth and reinvest in brands.

(3) Further Plan of Action

Your Company's R&D has a key role to play in achieving our vision of becoming the world's best Fast-Moving Consumer Healthcare Company, driven by science and values. Cutting edge innovations based on consumer preferences without shifting focus on profitability would help R&D contribute in achieving this vision.

R&D will continue to focus on initiatives such as consumer-insights driven innovation, product development designed to value, generation of high science-based differentiated claims, and building a strong long term pipeline. In addition, a proactive Regulatory Affairs programme focused on maintaining your Company's reputation externally will continue the strong contribution from the R&D function towards sustained profitable growth of the Company.

(4) Expenditure on R&D

	15 Months ended March 31, 2014	12 Months ended December 31, 2012
a) Capital	73.40	1,08.95
b) Recurring	46,97.46	35,53.85
Total	47,70.86	36,62.80
R&D Expenditure as a percentage of turnover	1.0%	1.1%

Technology Absorption, Adaptation and Innovation

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

The Foreign exchange earnings through exports have increased in the current year covering exports to Bangladesh, Sri Lanka, Middle East, Myanmar, Pakistan, Malaysia and Kenya. The efforts to broaden the export base to new and existing countries are continuing.

(b) Total Foreign Exchange used and earned:

	15 Months ended March 31, 2014	12 Months ended December 31, 2012
Foreign Exchange Earnings	3,25,49.65	1,97,79.36
Foreign Exchange Outgo	67,33.81	32,34.17

For and on behalf of the Board

Subodh Bhargava
Chairman

Zubair Ahmed
Managing Director

R. Subramanian
Mukesh H. Butani
Directors

Place : Gurgaon
Dated : May 9, 2014

Management Discussion and Analysis Report

Industry Structure and Development

The year 2013 was one of the toughest years for the Indian economy having recorded the lowest growth in the last 10 years. The Industrial sector went through a rather tough phase with decline in industrial growth. Further, heightened inflation kept interest rates high throughout the year. The Services sector also witnessed decline in growth rate. Agriculture was the only silver lining in the cloud having recorded impressive growth on the back of good monsoons. Widening trade deficit was of significant cause of concern. The year also witnessed significant depreciation of the Indian Rupee which, however, recovered during the latter part of the year after various remedial measures were taken and expectations of a stable government in the ensuing Lok Sabha elections.

Amidst hopes of a stable and reform oriented government after the Lok Sabha elections, there is positive sentiment building in the markets for a kick start of the reforms process and decisive policy action. FII inflows touched the USD 200 Billion mark in 2014, with stock markets touching an all time high.

Opportunities, Threats and Outlook

The slowing down of economic growth and sustained high inflation levels have adversely impacted the private consumption and the FMCG sector as a whole. Recent reports indicate that FMCG growth has halved during 2013. Prices of key commodities are expected to remain at high levels due to a below normal monsoon as per the recent forecast for 2014. The current scenario of muted consumption and intensifying competition would also warrant disproportionate levels of investment in Advertising & Promotions.

Despite these challenges, we believe, we are adequately placed to deliver strong performance given our strong internal capabilities and human capital. We have robust plans covering Go to Market Strategy, innovation for new products, cost management and talent management processes which we believe give us the capability to take the headwinds in our stride.

Risks and Concerns

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

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

Financial Risk

The Company has no loan outstanding as on March 31, 2014.

The Company has minimal import requirements for its production process. The Company exports during the year stood at Rs. 4,17,65.03 Lacs (which includes Rs. 1,01,50.82 Lacs exports to Nepal and Bhutan). Hence, no significant risk is envisaged to the business on account of currency fluctuations.

Internal Control Systems and their Adequacy

The Company has an adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported, apart from safeguarding its assets. The internal control system is supplemented by well-documented standard operating procedures, policies and guidelines and review carried out by the Company's Internal Audit function.

All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening the Company's risk management policies and systems. Additionally, the following measures ensure robust control system:

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

Financial Performance and Results of Operations

(A) Results of Operations

(1) Revenue from Operations (Net)

Revenue from Operations (Net) for the 15 months period ended March 31, 2014 increased by 53%, driven by impressive growth in both, net sales and other operating income. Increase in net sales was driven both by volume and price/yield increases. Increase in other operating income was driven by higher Business Auxiliary Services Commission.

(2) Other Income

Other Income increased by Rs. 93,12.34 Lacs primarily due to higher interest income from Bank Deposits.

(3) Expenditure

During the current period, input cost of Raw Material, Packing Material and Purchased Finished Goods, as a percentage to sales has decreased to 35.1% as against 35.3% last year, mainly due to various value engineering initiatives undertaken. The Company continued to make strong investments behind the brands. Advertisement and Promotion expenses during current period were 16.3% as a percentage of Sales.

(4) Profit before Taxation

Profit before Taxation for the 15 months period ended March 31, 2014 amounted to Rs. 10,16,07.20 Lacs and has increased by 56.6% over previous year.

(5) Provision for Taxation

The Company has made provisions for taxation for the current period amounting to Rs. 3,41,32.52 Lacs (including deferred tax) on Profits before Tax. The effective tax rate for the current period is 33.59%.

(B) Financial Condition

(1) Reserves and Surplus

The Reserves and Surplus increased during the current period by Rs. 4,51,87.19 Lacs. The transfer was made after providing for Proposed Final Dividend of Rs. 1,89,24.99 Lacs including Dividend Tax amounting to Rs. 32,16.30 Lacs for the 15 months period ended March 31, 2014.