



GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

# Annual Report

FOR THE YEAR ENDED MARCH 31, 2015





**Horlicks**

**gsk**

# **Delicious Horlicks<sup>®</sup> Kesar Badam**

**With Real Kesar and Badam**



IMPROVES  
**5 SIGNS OF GROWTH<sup>^</sup>**



**MORE BONE AREA**



**MORE MUSCLES<sup>^</sup>**



**BETTER CONCENTRATION<sup>^</sup>**



**HEALTHIER BLOOD**



**HEALTHY WEIGHT GAIN**



GLAXOSMITHKLINE  
CONSUMER HEALTHCARE LIMITED

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### Registrars And Transfer Agents

Karvy Computershare Pvt. Ltd.  
Karvy Selenium Tower B  
Plot No. 31 & 32, Gachibowli, Financial District,  
Nanakramguda, Serilingampally  
Hyderabad – 500 008

**Website:** [www.gsk-ch.in](http://www.gsk-ch.in)

**Investor Email ID:** [investor.2.co@gsk.com](mailto:investor.2.co@gsk.com)

**Corporate Identity Number:** L24231PB1958PLC002257

### Chairman

Subodh Bhargava

### Managing Director

Zubair Ahmed

### Directors

Kunal Kashyap  
Mukesh H. Butani  
Naresh Dayal  
P. Dwarakanath  
Jaiboy J. Phillips  
Ramakrishnan Subramanian  
Jonathan Box  
Ireena Vittal (till 30.4.2014)  
Sangeeta Talwar (w.e.f. 6.8.2014)

### Company Secretary

Sonali Khanna

### Bankers

Deutsche Bank  
Citibank N.A.  
State Bank of India  
HDFC Bank Limited  
The Hongkong & Shanghai Banking Corporation Limited  
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

24 & 25 Floor, One Horizon Centre, DLF Phase - V  
Gurgaon – 122 002 (Haryana)



# Financial Statistics

## Ten Year Financial Statistics

(Rs. Lacs)

	2005	2006	2007	2008	2009	2010	2011*	2012*	2013-14* (15 Months)	2014-15* (12 Months)
<b>SOURCES AND APPLICATIONS OF FUNDS</b>										
<b>SOURCES OF FUNDS</b>										
SHARE CAPITAL	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06
RESERVES & SURPLUS	4,33,05	5,00,65	6,04,29	7,18,82	8,63,04	9,17,98	11,02,12	13,18,92	17,70,79	20,70,98
TOTAL SHAREHOLDERS' FUNDS	4,75,11	5,42,71	6,46,35	7,60,88	9,05,10	9,60,04	11,44,18	13,60,98	18,12,85	21,13,04
<b>FUNDS EMPLOYED</b>	<b>4,75,11</b>	<b>5,42,71</b>	<b>6,46,35</b>	<b>7,60,88</b>	<b>9,05,10</b>	<b>9,60,04</b>	<b>11,44,18</b>	<b>13,60,98</b>	<b>18,12,85</b>	<b>21,13,04</b>
DEFERRED TAX LIABILITIES	27,60	24,07	17,28	6,58	-	-	-	-	-	-
<b>TOTAL</b>	<b>5,02,71</b>	<b>5,66,78</b>	<b>6,63,63</b>	<b>7,67,46</b>	<b>9,05,10</b>	<b>9,60,04</b>	<b>11,44,18</b>	<b>13,60,98</b>	<b>18,12,85</b>	<b>21,13,04</b>
<b>APPLICATION OF FUNDS</b>										
GROSS FIXED ASSETS	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	11,01,59
DEPRECIATION	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	5,67,54
NET FIXED ASSETS	2,83,79	2,57,89	2,43,34	2,26,10	2,32,26	3,10,58	3,49,85	3,91,08	3,78,36	5,34,05
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	1,04,34
NET ASSETS (CURRENT AND NON CURRENT)	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	14,74,64
<b>TOTAL APPLICATION</b>	<b>5,02,71</b>	<b>5,66,78</b>	<b>6,63,63</b>	<b>7,67,46</b>	<b>9,05,10</b>	<b>9,60,04</b>	<b>11,44,18</b>	<b>13,60,99</b>	<b>18,12,85</b>	<b>21,13,03</b>

\*From 2011 onwards based on Revised Schedule VI

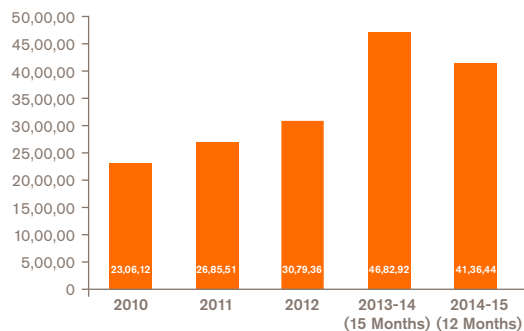
## Ten Year Track Record

(Rs. Lacs)

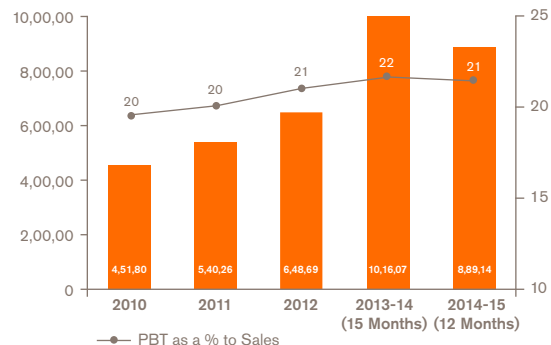
	2005	2006	2007	2008	2009	2010	2011	2012	2013-14 (15 Months)	2014-15 (12 Months)
TURNOVER (NET)	9,66,85	11,07,87	12,78,46	15,42,78	19,21,50	23,06,12	26,85,51	30,79,36	46,82,92	41,36,44
PROFIT BEFORE TAX	1,62,42	1,90,57	2,45,12	2,85,71	3,53,86	4,51,80	5,40,26	6,48,69	10,16,07	8,89,14
NET PROFIT	1,07,15	1,26,93	1,62,68	1,88,33	2,32,78	2,99,85	3,55,21	4,36,76	6,74,75	5,83,60
DIVIDEND PAYOUT	33,64	42,06	50,47	63,08	75,70	2,10,28	1,47,19	1,89,25	1,89,25	2,31,31
CORPORATE DIVIDEND TAX	4,72	5,90	8,58	10,72	12,87	34,92	23,88	30,70	32,16	47,09
RETAINED EARNINGS	68,79	78,98	1,03,63	1,14,53	1,44,22	54,65	1,84,13	2,16,80	4,51,87	3,05,21
DIVIDEND (%)	80	1,00	1,20	1,50	1,80	5,00	3,50	4,50	4,50	5,50
EARNINGS PER SHARE (Rs.)	24.84	30.18	38.68	44.78	55.35	71.30	84.46	1,03.85	1,60.44	1,38.77
NUMBER OF SHARE HOLDERS	24,571	24,019	22,315	22,548	22,443	22,867	25,639	27,020	26,423	27,288

# Financial Highlights

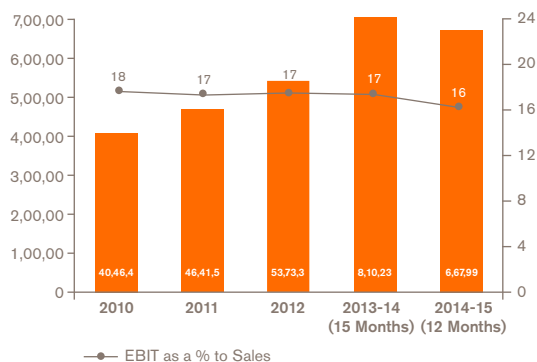
**Turnover (Net)**  
(Rs. Lacs)



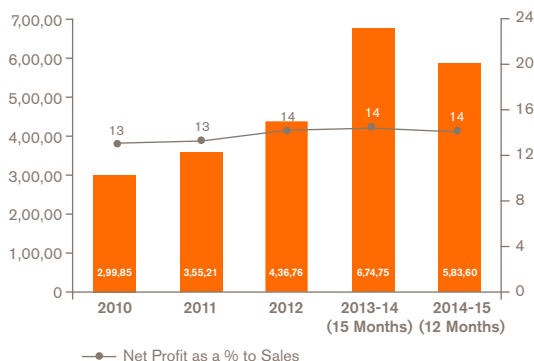
**Profit Before Tax**  
(Rs. Lacs)



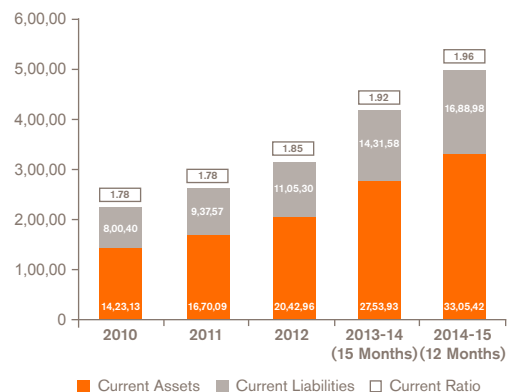
**EBIT**  
(Rs. Lacs)



**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 Financial Statements of the Company for the year ended March 31, 2015. The Financial Statements for the period ended March 31, 2014 were made for 15 months in line with the provisions of the Companies Act, 2013, which prescribe a uniform financial year. Therefore, previous period figures are not comparable with figures for the year ended March 31, 2015.

## Financial Results

	(Rs. Lacs)	
	12 months ended March 31, 2015	15 months ended March 31, 2014
Revenue from operations (Net)	43,07,58.52	48,68,57.16
Profit before Depreciation, Amortisation and Tax	9,51,22.96	10,78,61.86
Less: Depreciation	62,08.66	62,54.66
<b>Profit Before Tax</b>	<b>8,89,14.30</b>	<b>10,16,07.20</b>
Less: Provision for Tax		
- Current Tax	3,16,92.52	3,70,00.20
- Deferred Tax	(11,38.15)	(28,67.68)
	<b>3,05,54.37</b>	<b>3,41,32.52</b>
<b>Profit After Tax</b>	<b>5,83,59.93</b>	<b>6,74,74.68</b>

Previous year figures regrouped/reclassified wherever necessary to conform to this year's classification.

## Appropriations

Proposed Final Dividend	(2,31,30.55)	(1,89,24.99)
Corporate Dividend Tax	(47,08.83)	(32,16.30)
Differential dividend distribution tax pertaining to previous year	-	(1,46.20)
Transferred to General Reserves	(58,35.99)	(67,47.47)
	<b>(3,36,75.37)</b>	<b>(2,90,34.96)</b>
Earnings Per Share (Rs.) (Basic & Diluted)	138.77	160.44
Dividend per Share (Rs.)	55.00	45.00

## Performance of the Company

Your Company delivered a strong performance with consistent double digit growth. In fact it is 10 years in a row that your Company has achieved a consistent double digit profitable growth. Sales and PAT for the 12 months ended March 31, 2015 were Rs. 41,36,43.63 Lacs and Rs. 5,83,59.93 Lacs respectively. Your Company strengthened its leadership position in HFD category to 66.2% by gaining 1.4% volume market share.

Your Company continues to focus on innovation and delivering products of value with superior science. The new formulation for both Standard Horlicks and Chocolate Horlicks makes the product more "instant" in both hot and cold milk. This helps address the consumer feedback, thus, ensuring a superior experience to consumers. Both the products were relaunched with new formulations. It was supported by strong commercials themed – "Everyday Horlicks, Everyday Growth" to promote better awareness and health among consumers.

The Horlicks brand extensions continued to do exceedingly well during the year. On the back of innovative campaigns, impressive all round performance and key milestones have been achieved by the brand.

Women's Horlicks differentiated positioning for the brand has been driven through thematic communication on the "Bone Health" Platform. The brand witnessed an exceptional year with superlative performance of high double digit growth.

Junior Horlicks continued on its journey to establish itself as the most suitable health drink for young children. Junior Horlicks was relaunched with new claims, new packaging and a new mascot. The changed packaging had a stronger kid connect and broke clutter on shelf. This saw great traction from consumers, showing upward movement and market share gains in core markets.

Mother's Horlicks was re-launched in December 2013 in its new Vanilla flavour having superior taste and improved miscibility. The product with new taste has been widely accepted by the consumer. The brand is performing exceptionally well and growing at high double digit.

Boost restaged, with new claim "3X more stamina in 120 days"\*\*\* and new packaging, has been in the market since February 2014. This was supported with a powerful 360 degree launch package comprising compelling thematic communication, shopper and consumer activation, strong trade visibility and digital media across markets. As a result, Boost continued to show results by gaining 0.6% volume market share, reaching all time high market share of 13.3% and now ranks third in HFD Category.

The Foods portfolio continued to deliver strong growth. Horlicks Oats is growing at high double digit and now ranks second in terms of market share in South India. The Biscuits portfolio growth momentum continued during the current year with launch of Milk Biscuits.

## Dividends

The Directors recommend a total dividend of Rs. 55 per equity share of Rs. 10 each for the year ended March 31, 2015. If approved by the Members at the ensuing Annual General Meeting to be held on August 6, 2015, it will be paid on or before September 5, 2015 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 28, 2015.

## Management Discussion and Analysis Report

The global economy in the recent years has experienced a slowdown and uncertainty that has made growth and profitability increasingly elusive. There is a tremendous focus on the Emerging Markets due to continuous pressure and stress at global level. Indian economy faced its own set of challenges in terms of low GDP, high fiscal deficit, high inflation initially and weak consumer confidence leading to low growth in volume and value in FMCG and HFD. Towards the latter half of the financial year global fuel and commodity prices eased, Central Bank decision to cut rates and Government focus on key sectors to improve investment sentiment have helped to reduce the general inflation. However, the food inflation still remains at moderate level and low consumer disposable income have not improved the short term prospects. The Government evident focus on reviving economic growth by new policies and improve partnering with foreign countries underlines the major changes in the future.

According to A C Nielsen, market researcher, FMCG volume growth slowed down to 7% for PAN India. The impact was high in Southern market, where growth slowed down to 3%. The Rural growth has also slowed down on account of below average monsoon and unseasonal rains.

Despite these challenges, we believe we are well placed to deliver strong performance given our understanding of consumer behaviour. We also have robust Go to Market strategy, pipeline for innovative products, efficient cost management and talent management processes. These, we believe, fortifies us against all headwinds that we may face.

The rural business continues to grow consistently despite category slowdown due to macroeconomic challenges, through sustained focus on brand connect and driving execution excellence in coverage expansion. Through 13,000 rural sub distributors the Company's products are now

\*\*\*Based on an independent study conducted in 2009 (J. Nutr. 141:2017-2023,2011), the number of shuttles completed by Boost consuming children increased by 25% as compared to 8% increase in children who consumed non-fortified chocolate beverage in a 20-m shuttle test measuring whole body endurance

available in over 2 lacs outlets across 27,000 villages. Two key growth drivers in our Rural Programme are Horlicks Swasthya Abhiyan (HSA) and Village Level Entrepreneurs (VLE); HSA program aims to improve the standard of living in the rural areas, engaging with rural medical practitioners and community workers, thus creating awareness, education and relevance for our brands. VLE is our new initiative that has reached 390 villages by which we are reaching out to bottom of the pyramid, and in this process, economically empowering rural women.

Your Company's focussed cost management and working capital optimisation program 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 programs 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 savings initiatives to support our pursuit for profitable growth.

### Reserves

The total Reserves as on March 31, 2015 stood at Rs. 20,70,98.15 Lacs representing an increase of 17% from March 31, 2014. An amount of Rs. 58,35.99 Lacs has been transferred to Reserves. In order to align depreciation rates with Companies Act, 2013, the Reserves have been reduced by Rs. 5,01.78 Lacs.

### Research and Development

Your Company continues to derive continuous benefit from the strong foundation of Research & Development (R&D). Innovation and R&D continue to be at the centre of your Company's heart. With a superior culture driven by Science & Values, your Company is able to attract the best talent to provide the best in class product to its consumers.

The current period saw seven new launches and restages in India, one of the highest in recent times. Horlicks Relaunch was one of the major initiatives for the brand that was successfully delivered. The new Horlicks now comes with better miscibility, making it instantly dissolvable in hot as well as cold milk. Improved miscibility in cold milk offers great convenience and thus enables additional consumption occasions. The restage also offers a much more contemporary and user friendly packaging which means the bottle is easier to hold and helps in a better grip. This has been rolled out across all flavours – Malt, Chocolate, Elaichi & Kesar Badam and all SKUs.

Among the notable brand restages, Mother's Horlicks was re-launched delivering a significantly better tasting product and delivering on other business metrics.

The launch of Kesar Badam has turned out to be one of the best new flavour introductions of all time. This product was formulated with real almonds, saffron, an authentic consumer accepted flavour and the product continues to support the Horlicks '5 signs of growth' claim.

Chocolate Horlicks and Horlicks Gold were relaunched during the year with the instant mixability which was based on strong category/consumer insights. Horlicks Lite was re-staged with improved taste profile. Many of these new products were also matched with the right manufacturing technology to provide the best end to end benefits to the supply chain.

Among the other initiatives is the round biscuit that was taken to market at a low cost. This inspired uptake and supported access strategy. New Junior Horlicks Evo Jar with new structure and graphics was launched in October 2014 and has been well received.

Profitable growth ambitions are actively supported by R&D through a structured Value Engineering Program which also helps to mitigate the increasing cost of raw materials. Design to value remains an integral part of R&D product development process to provide sustainable cost advantage. R&D is also partnering with Supply Chain on a long term manufacturing process that is cost efficient.

Your Company's R&D goal continues to focus on strengthening its category leadership through the differentiated Science and Technology breakthrough in India. Further, R&D function is continuously working towards adopting

best practices in consumer insights. In 2014, the specific focus on Technology platforms drove consumer delight to drive consumption and enabled category growth.

R&D is also involved in substantial work to progress the Long Range Science and the new products to maintain category leadership. Some of the high science differentiated products are in final stages of development for launches in short, medium and long term, thus making our innovation pipeline robust. We continue to focus our efforts on commercializing differentiated science based innovations in all the categories we compete in, while keeping Company's values and Compliance requirements in mind.

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 and expansion programme. The Indian Regulatory Affairs team has been closely engaging with Food Authority and Industry associations to propose industry friendly changes in policy and food regulations.

Packaging has long proven to be a critical factor for winning at the first and second moments of truth. The team works seamlessly with Design, Commercial and R&D functions to drive Packaging Innovation, Value Engineering, and the Technology platforms agenda.

The team has delivered one of the largest relaunches by scale in the country under the Horlicks restage initiative, with focus on capital avoidance & cost optimization through four innovations. The team also has to its credit multiple patents on sealing technology and dispensing solutions and has been recognized externally through multiple Packaging Excellence awards in India, Asia, and at the Global level.

### 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 year, your Company has rolled out projects with industry leading technology to further strengthen the Rural and Upcountry Sales Force with mobile enabled solutions, implement projects related to plant maintenance (CMMS), Quality (CDMS), EHS (ZAP reporting for Employee Health & Safety), Get BPCS FIT (SAP readiness & to ensure better controls) to strengthen our Supply Chain. It has played a pivotal role in enabling "New smart office" which improved overall employee productivity, collaboration and transparency. During the year Company also focused on increasing the consumer reach by enabling digital solutions across brands.

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.

We are in the process of taking backup of books of account on a physical server located in India and will be completed by end June 2015.

### Internal Control System and Adequacy

The Company has an adequate control framework system of reporting Internal Financial/Operational controls to ensure that transactions are properly recorded and authorized, apart from safeguarding its assets. The internal control framework is supplemented by:

- Well-documented standard operating procedures, policies, risk and control matrices for all material processes and guidelines. Further, these documents are regularly reviewed and updated to align with global best practices.
- Any material variances from the budget are reviewed periodically.



- Business Continuity Plans are periodically reviewed and tested to enhance their relevance.
- 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.
- The Company has a Risk Management and Compliance Board (RMCB), now called the 'Risk Management Committee' (RMC), comprising of the Managing Director, Finance Director, Operations Director, 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.

The Company has a robust internal audit function, that reports into the Audit Committee and carries out review of operations, systems and functions basis the plan approved by Audit Committee.

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 framework and monitors the implementation of audit recommendations including those relating to strengthening the Company's risk management policies and systems.

### Human Resource Development

The success of any organization is driven by its people and your Company believes that its employees are one of its biggest competitive advantages. It is our people who drive our business performance and are the key to our future growth plans. Our employment practices and talent programs are aimed at ensuring that we have the best talent driving the business. The Company's expectations 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 through a series of initiatives in 2014. The new Performance Management System introduced in 2014 reiterates our emphasis on performance against business goals as well the behaviors demonstrated by employees for achieving them viz. the Company's expectations. The new Performance system also lays greater emphasis on creating individual and customized development objectives for each employee.

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. The "Winning Sales Skills" program 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.

Your Company strongly believes in the principles of Diversity and Inclusion and has been working towards it steadily for the past several years. Through a focused approach of educating managers to appreciate the diversity agenda, hiring the right female candidates for suitable roles, and by building a culture more congenial for female colleagues we have been constantly improving our gender ratio over the years and would continue to do so.

Your Company recently moved to new Head Office. We recognized the need to create an office environment that enhances efficiency and supports collaboration, making it a stimulating, functional and inspirational work space. In line with our value of Transparency, our new office premises are free of cabins and encourage open seating. The design has been selected basis strong research, which is meant to facilitate collaboration, transparency, trust and integrity. Aided by technology and cutting edge design, this smart office encourages collaboration, flexible and energetic work culture leading to increased productivity and performance.

Our rewards are competitively aligned and linked to performance. Our Recognition Program provides a global platform for employees to recognize colleagues across the Company – providing both monetary and non-monetary avenues for recognition. Our values of Integrity, Transparency, Consumer-First and Respect-for-People remain central to everything we do. 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 Company's mission of "do more, feel better, live longer".

### Awards and Recognition

Your Company efforts to deliver the best quality products backed up by science based innovation, strong talent base and brands have been recognised during the year. Some of the key recognitions are:

- In the Economic Times Brand Equity Survey 2014, Horlicks has been ranked as the most trusted brand in Hot Beverages. Further, Horlicks and Boost also figured in Top 100 Brands across India.
- Horlicks was recognised in the Top 20 most valuable brand by WPP BrandZ.
- Chocolate Horlicks was awarded the Best Digital Strategy award at Media Abbys for "Mixes in milk even before you skip this Ad".
- Horlicks Ahaar Abhiyan wins best Pro bono marketing for providing better access to nutrition and fight malnutrition.
- Your Company was awarded "Star MNC" of the year by Business Standard.
- Your Company was awarded the "Golden Peacock award for Sustainability" second year in succession.
- Your Company's CEO was among India's Top 100 CEOs (Rank 3) by Business Today
- Your Company's CFO was awarded Best CFO by Business Today.

### Directors

Ms. Sangeeta Talwar was appointed as Director (Independent) of the Company, in casual vacancy created by the resignation of Ms. Ireena Vittal, at the Board Meeting held on August 6, 2014.

The Company had already appointed Mr. Zubair Ahmed as Managing Director, Mr. R Subramanian as Chief Financial Officer, Mr. Jaiboy Phillips as Executive Director-Operations and Ms. Sonali Khanna as the Company Secretary. The Board designated them as Key Managerial Personnel of the Company under the provisions of the Companies Act, 2013.

### Performance Evaluation of Board

A regular process of evaluating the Board's performance helps the Board in validating the relevance of its processes and provide insights for strengthening its overall efficiency and effectiveness.

#### Evaluation mechanism:

The Companies Act, 2013 has not specified a rigid procedure for this evaluation, keeping it open for the Board to adopt a procedure best suited for it. Therefore, the Remuneration & Nomination Committee decided that a peer feedback process will be adopted and a three sixty degree feedback will be taken from all Directors. The final results will be compiled and submitted to the Chairman. The Committee and the Board agreed that it should be anonymous and confidentiality should be maintained.

The Performance Evaluation mechanism was followed for the entire Board of Directors.

The Performance Evaluation mechanism adopted was as follows:

1. In February 2015, the survey was sent to all Directors in a sealed envelope.
2. The Evaluation was based on: Board Effectiveness, Processes adopted by the Board, Contribution by the Board Members, Value addition by the Board, Committee Effectiveness and contribution at the Committee.
3. All Directors filled in the survey and returned the same to the Head, Human Resource.
4. The Head - HR then compiled the results and shared the same with the Remuneration & Nomination Committee's Chairman and Chairman of the Board.
5. Thereafter, the results were individually discussed and feedback was provided to the Directors by the Chairman.

The Committee decided that this process would be carried out annually.

### Criteria for Appointment of Directors

The success of the Board of Directors depends on the composition, structure,



resources, diligence, and authority of the entire Board, as well as their working relationships with other participants of corporate governance, including management. Your Company is committed to corporate governance best practices and is vigilant at the time of appointment of its Directors.

#### Key Responsibilities:

The Board of Directors is ultimately responsible for the Company's business affairs and governance. To that goal a director would be expected to:

- Represent organization's shareholders' interests and create value for them.
- Align the interests of management with those of shareholders while protecting the interests of other stakeholders (customers, creditors, suppliers).
- Oversee the Company's performance by setting objectives, establishing short-term and long-term strategies to achieve these objectives.
- Provide counsel to the Company's senior executives on material strategic decisions and risk management. Establish or approve strategic plans and decisions to achieve these goals.
- Oversee the sustainability of the Company in creating long-term shareholder value and protecting interests of other stakeholders.
- Pre-requisites for consideration:
- The candidate to acknowledge that she/he have sufficient time to effectively discharge her/his duties.
- The candidate should have skill sets and expertise area which is complementary to the current Board. The Board assesses the needs of the current Board to ensure that there is a range of skills, experience and diversity represented, including an understanding of:
  - the industry and markets in which the Company operates
  - accounting, finance and legal matters
  - other key areas of business operations
- The candidate should have experience and depth of knowledge in her/his area of work so as to contribute meaningfully to the operations of the Board.
- There should be no conflict of interest between the candidate and the Company. The individual should not be in relation to any current employee of the Company and should not be holding more than 2% of the Company's shares at the time or during the appointment.
- The candidate should not be employed or related to another organization/body which can directly/indirectly influence the operations of the Company or is in direct competition with the Company.

The Candidate has not been convicted of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of sentence.

#### Remuneration Policy

##### Philosophy

The Company recognizes that reward is important in engaging employees and motivating them to do their best work to deliver our strategic priorities and mission. We reward high performance and recognize outstanding achievements of employees in a way that is consistent with our values and behaviours.

##### Principles

- Competitive - We provide competitive rewards within a global reward framework.
- Differentiated - We differentiate reward to attract and retain skilled employees; reward the greatest contributors and recognize employees who evolve their skills to enhance their individual contribution to the Company's success.
- Individual aligned- Our reward programs and practices are transparent and focus on ensuring alignment at several levels.
- Business alignment - Our reward program takes into account the common and business-specific skill/performance requirements across our various business units.
- Country alignment - Reward aims at meeting the needs of our diverse workforce and enabling them to live out our mission - to do more, feel better and live longer.
- Individual alignment - Individual objectives are set and reviewed annually to ensure employees have a clear understanding of the link between the business value they deliver and their own performance based reward.

#### Managerial Remuneration

The Company believes its employees are its biggest assets and aligns its compensation and benefits towards rewarding employees in line with its Rewards policy. The Company focuses on being market aligned as well as differentiate basis performance to drive a high performance culture.

Your Company has 3527 permanent workers, including workmen. The remuneration for the workmen at two of the factories is governed by Long Term Wage Settlement (LTWS) which is done in consultation with the unions. For the remaining employees, the targeted salary increase was 10% and varied basis performance and market positioning.

If we compare the remuneration of these to that of median employee, we observe a ratio as given below:

Name	Designation	Remuneration for 12 months ended March 31, 2015*	Remuneration for 15 months ended March 31, 2014*	Ratio of Salary to Median Employee
Zubair Ahmed	Managing Director	85,783,750	107,937,198	151
R Subramanian	Director - Finance	31,582,597	40,747,672	56
Jaiboy Phillips	Director - Operations	31,111,666	39,934,765	55
Sonali Khanna	General Manager - Legal & Company Secretary	6,670,208	7,584,750	N.A.

\*The remunerations are not comparable on account of differential periods (15 months vs 12 months). For detailed breakup please refer the Corporate Governance Report.

The Company believes in balancing the competitiveness of pay as well as sustainability of the associated costs for the organization. The salary increases is aligned to not only the consumer industry but also the performance of the Company.

The Company believes that by means of the variable pay plan the Company is able to link a portion of compensation to the individual and business performance which creates a strong positive reinforcement. It also ensures that the employees of the Company are rewarded only when the shareholders' goals are met. The Company's variable pay plan, therefore, links the variable pay to both – individual performance and business results such as sales growth and operating profits.

#### Particulars of Employees

The information required pursuant to Section 197 (12) read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

#### Particulars of Loans, Guarantee, Investment u/s 186

There are no Loans, Guarantees, Investments to be reported u/s 186 of Companies Act, 2013.

#### Details of Board Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year four Board Meetings and five Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

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

Information required as per the Companies (Accounts) Rules, 2014 is given in the Annexure I to this Report.

## 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.

## Secretarial Audit

Pursuant to provisions of section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed S N Ananthasubramanian & Co., a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company. The Secretarial Audit report is annexed herewith as Annexure II to this Report.

## Composition of Audit Committee

Please refer the Corporate Governance Report for composition of Audit Committee.

## Risk Management Policy

The Company has a Risk Management policy and an internal control framework, which is used to manage risks.

## Vigil Mechanism for Directors and Employees of Company

The detailed policy for Vigil Mechanism and Whistler Blower is available at <http://www.gsk-ch.in/Policies.aspx>

## Extract of Annual Report

Information required under this clause is given in the Annexure III to this Report.

## Related Party Transaction

Disclosures as required under form AOC-2 are contained in Note 34 (Financial Statement). There are no Related Party Transactions which are not at arm's length basis.

The detailed policy for Related Party Transactions is available at <http://www.gsk-ch.in/Policies.aspx>

## Fixed Deposits

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

## Information on Company's Share Performance

The market capitalisation of the Company increased by 46% (Rs. 2,64,93,52 lacs) vs March 31, 2014 (Rs. 1,81,20,68 Lacs). The PE ratio as on March 31, 2015 stands at 45 vs 35 as on closing date of last financial year.

## 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 underserved 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 5 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 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.

This year 4 employees from different functions like R&D, Supply Chain, Nabha Factory and Regional Sales Office, East volunteered and have successfully completed their assignments with various NGOs supporting their work in the areas of health and education, trash to cash initiative, women self help initiatives.

- 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.

All projects running under supervision of BCF and CAF continued. Under these projects, your Company is supporting almost 17 grass roots projects in 9 states of India addressing some important issues of poverty, malnutrition, education, health, disability, support to widows, differently abled, infant & maternal mortality, community disease like Kalazar, aged destitutes etc.

- 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 and OTC medicines to the needy in times of need and calamities. Products are also supplied round the year to slum children, and other needy communities like pregnant mothers, old age homes, in localities and villages in and around our factories.

During this year, your Company has extended support to the flood affected victims in Kashmir, by donating Crocin Advance, Crocin Pain Relief, Horlicks and Biscuits through various agencies like Food Safety and Standards Authority of India, FICCI, Helpage India, etc. Also employees came forward and contributed to the cause and collectively donated about Rs. 1.50 lakhs through Save the Children.

- E. Conservation of Environment:** Mother Earth is valuable and it is our responsibility to preserve and support towards a clean & sustainable environment. Your Company worked towards improving the environmental health by increased usage of Agro-waste bio-mass fuel (briquettes/pellets) for steam generation at all manufacturing sites to significantly reduce Carbon footprint and pollution levels.

For other details regarding CSR, please refer Annexure IV to Director's Report.

## Significant Material Orders Passed by the Court/Regulator/Tribunal Impacting Going Concern Status and Company's Operations In Future

The Company has not received any material Show cause under the Act/SEBI Regulations. Notices received from other regulatory/statutory authorities are being suitably dealt with.