



GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

Annual Report

FOR THE YEAR ENDED MARCH 31, 2018



The COOLEST SUMMER DRINK



Chocolate
Delight



Kesar
Badam

400g

Taller • Stronger* • Sharper**



Creative Representation. Horlicks is a nourishing beverage to be taken as a part of regular diet. Claims based on a study conducted in school age children in 1999-2000 and published in a journal of nutrition. **2000g of Horlicks Kesar Badam containing micronutrient enriched beverage vs. non fortified placebo. Claims based on a recommended daily serve of 2 cups (54g). *More muscles. **Increase in attention and concentration.



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

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

Corporate Identity Number: L24231PB1958PLC002257

Chairman

Subodh Bhargava (till 31.03.2018)
Zubair Ahmed (w.e.f 01.04.2018)

Managing Director

Manoj Kumar (till 31.12.2017)
Navneet Saluja (w.e.f 01.01.2018)

Directors

Kunal Kashyap
Mukesh H. Butani (till 31.03.2018)
Naresh Dayal
Sangeeta Talwar
P. Dwarakanath
Vivek Anand
Joaquin B Mascaro
Anup Dhingra

Company Secretary

Shanu Saxena

Bankers

State Bank of India
HDFC Bank
HSBC Bank
Deutsche Bank A.G.
ANZ Bank
DBS Bank
Standard Chartered Bank
Citi Bank
Bank of America
BNP Paribas
Andhra Bank
Punjab National Bank
ICICI
Barclays Bank

Auditors

Deloitte Haskins & Sells LLP

Registered Office

Patiala Road, Nabha – 147 201 (Punjab)

Head Office

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



Financial Statistics

Ten Year Financial Statistics

(Rs. Lakhs)

	2008	2009	2010	2011*	2012*	2013-14* (15 Months)	2014-15** (12 Months)	2015-16** (Ind AS)	2016-17**^ (Ind AS)	2017-18**^ (Ind AS)
SOURCES AND APPLICATIONS OF FUNDS										
SOURCES OF FUNDS										
SHARE CAPITAL	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06	42,06
RESERVES & SURPLUS	7,18,82	8,63,04	9,17,98	11,02,12	13,18,92	17,70,79	20,70,98	27,56,65	30,80,61	34,43,06
TOTAL SHAREHOLDERS' FUNDS	7,60,88	9,05,10	9,60,04	11,44,18	13,60,98	18,12,85	21,13,04	27,98,71	31,22,67	34,85,12
FUNDS EMPLOYED	7,60,88	9,05,10	9,60,04	11,44,18	13,60,98	18,12,85	21,13,04	27,98,71	31,22,67	34,85,12
DEFERRED TAX LIABILITIES	6,58	-	-	-	-	-	-	-	-	-
TOTAL	7,67,46	9,05,10	9,60,04	11,44,18	13,60,98	18,12,85	21,13,04	27,98,71	31,22,67	34,85,12
APPLICATION OF FUNDS										
PROPERTY, PLANT AND EQUIPMENT (GROSS)	5,55,34	5,96,26	7,07,29	7,85,82	8,53,47	8,93,07	11,01,59	6,20,82***	6,87,02***	6,89,10***
ACCUMULATED DEPRECIATION/ IMPAIRMENT	3,29,24	3,64,00	3,96,71	4,35,97	4,62,40	5,14,71	5,67,53	88,16***	1,41,93***	1,75,32***
PROPERTY, PLANT AND EQUIPMENT (NET)	2,26,10	2,32,26	3,10,58	3,49,85	3,91,07	3,78,36	5,34,06	5,32,66***	5,45,09***	5,13,78***
INVESTMENTS	0.05	0.05	0.05	-	-	-	-	-	-	-
DEFERRED TAX ASSET	-	11,01	26,73	39,89	61,63	90,30	1,04,34	1,13,13	1,27,80	1,15,45
NET ASSETS (CURRENT AND NON CURRENT)	5,41,36	6,61,83	6,22,73	7,54,44	9,08,28	13,44,19	14,74,64	21,52,91	24,49,77	28,55,89
TOTAL APPLICATION	7,67,46	9,05,10	9,60,04	11,44,18	13,60,98	18,12,85	21,13,04	27,98,71	31,22,67	34,85,12

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

** 2014-15, 2015-16, 2016-17 and 2017-18 based on Schedule III

*** For 2015-16, 2016-17 and 2017-18, the Company has availed the deemed cost exemption and used the previous GAAP net carrying amount of property, plant and equipment including capital work in progress as deemed cost.

^ 2015-16, 2016-17 and 2017-18 are stated as per Ind AS

Ten Year Track Record

(Rs. Lakhs)

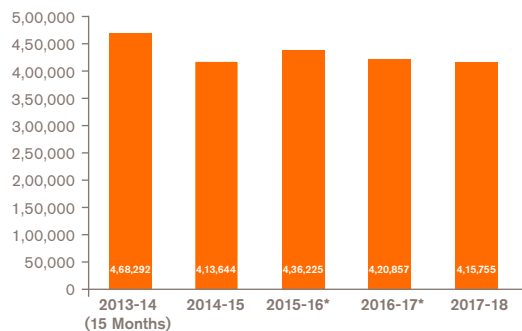
	2008	2009	2010	2011	2012	2013-14 (15 Months)	2014-15	2015-16 (Ind AS)*	2016-17 (Ind AS)*	2017-18 (Ind AS)*
TURNOVER	15,42,78	19,21,50	23,06,12	26,85,51	30,79,36	46,82,92	41,36,44	43,62,25	42,08,57	41,57,55
PROFIT BEFORE TAX	2,85,71	3,53,86	4,51,80	5,40,26	6,48,69	10,16,07	8,89,14	10,55,95	10,10,42	10,74,36
NET PROFIT	1,88,33	2,32,78	2,99,85	3,55,21	4,36,76	6,74,75	5,83,60	6,87,28	6,56,68	7,00,10
OTHER COMPREHENSIVE INCOME (NET)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	(3,91)	21,60	16,67
TOTAL COMPREHENSIVE INCOME	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6,83,37	6,78,28	7,16,77
DIVIDEND	63,08	75,70	2,10,28	1,47,19	1,89,25	1,89,25	2,31,31	2,31,31**	2,94,39**	2,94,39**
CORPORATE DIVIDEND TAX	10,72	12,87	34,92	23,88	30,70	32,16	47,09	47,09**	59,93**	59,93**
RETAINED EARNINGS	1,14,53	1,44,22	54,65	1,84,13	2,16,80	4,51,87	3,05,21	4,04,98**	3,23,96**	3,62,45**
DIVIDEND - %	1,50	1,80	5,00	3,50	4,50	4,50	5,50	5,50	7,00	7,00
EARNINGS PER SHARE (RS.)	44.78	55.35	71.30	84.46	103.85	160.44	138.77	163.42	156.15	166.47
NUMBER OF SHARE HOLDERS	22,548	22,443	22,867	25,639	27,020	26,423	27,288	33,352	41,916	47,243

* 2015-16, 2016-17 and 2017-18 are stated as per Ind AS

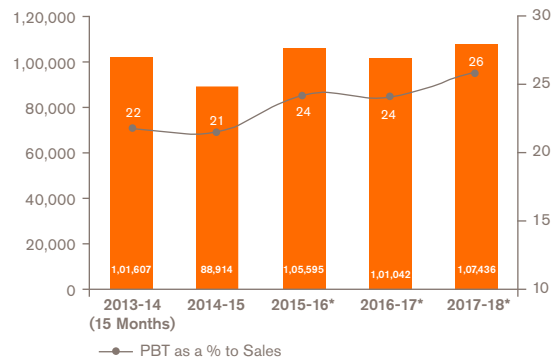
** For 2015-16, 2016-17 and 2017-18, the Company has reported Dividend, CDT & Dividend % on actual payment basis as per Ind AS.

Financial Highlights

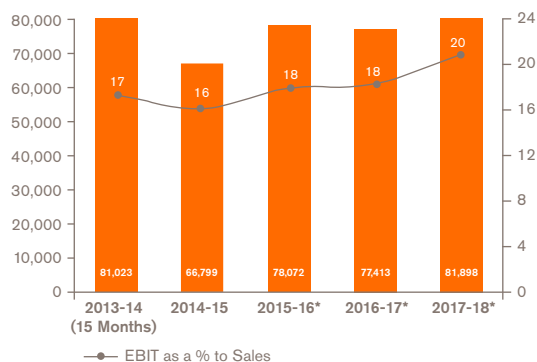
Turnover
(Rs. Lakhs)



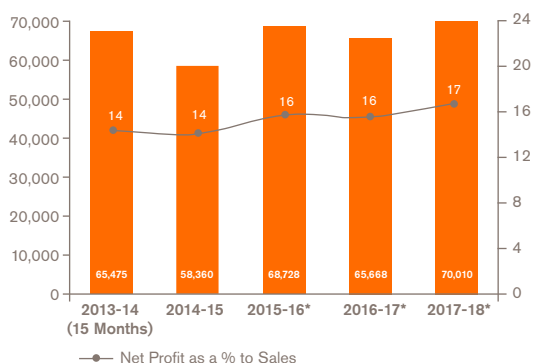
Profit Before Tax
(Rs. Lakhs)



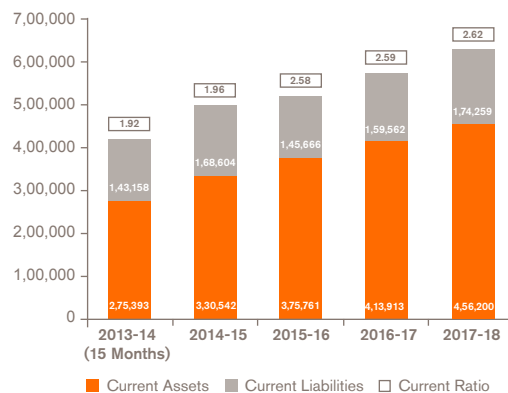
EBIT
(Rs. Lakhs)



Net Profit
(Rs. Lakhs)



Current Ratio (Times)
(Rs. Lakhs)



*2015-16, 2016-17 & 2017-18 restated as per Ind AS

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, 2018, in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (IndAS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable provisions of the Act from FY 2017-18.

Financial Results

(Rs. Lakhs)		
Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Revenue from Operations	43,77,05.34	44,25,90.65
Profit before Depreciation, Amortisation and Tax	11,38,73.38	10,74,59.12
Less: - Depreciation and Amortisation	64,37.39	64,17.54
Profit before tax	10,74,35.99	10,10,41.58
Income Tax Expense :		
- Current Tax	3,61,90.58	3,70,23.47
- Deferred Tax	12,35.19	(16,49.69)
	3,74,25.77	3,53,73.78
Profit after Tax for the Year	7,00,10.22	6,56,67.80
Other comprehensive income for the year, net of tax	16,66.78	21,60.47
Total comprehensive income for the year	7,16,77.00	67,828.27
Appropriations		
Dividend Paid	(2,94,38.88)	(29,438.88)
Tax on Dividend	(59,93.06)	(5,993.06)
	(3,54,31.94)	(35,431.94)
Earnings per Equity Share		
Basic and Diluted Earnings per Equity Share (INR)	166.47	156.15
Dividend per Share (Rs.)	75.00*	70.00

*Dividend is recommended by the Directors and is subject to the approval of the Shareholders.

Performance of the Company

Your Company continued its journey to become a true Fast-Moving Consumer Healthcare Company and performed well amidst increased competitive intensity and volatile external environment. Net Sales and Profit after Tax for the year ended March 31, 2018 were Rs. 4,15,754 Lakhs and Rs. 70,010.22 Lakhs respectively. Your Company retained its leadership position in HFD category with volume and value market share at 64.6% and 55.3% respectively.

Your Company continued its focus on innovation, delivering products of value with superior science and has taken a step further in the advanced nutrition segment for consumers who want very high science products.

Your Company has extended the brand Horlicks into a new category of high protein drinks for active adults with the launch of its new variant **Horlicks Protein+**. Available in chocolate and vanilla variants, Horlicks Protein+ contains a blend of three high quality proteins that provide all essential amino acids to address the issue of optimum quality protein intake amongst the modern-day adults.

Science remains the core of the product portfolio that addresses the nutritional needs of the consumers. The new **Horlicks** campaign launched in April 2017, focused on nutritional inadequacies in the daily diet of kids. The

campaign was further strengthened by the new brand platform of supporting kids' "hunger for growth" which is in line with the product proposition of making child "Taller, Stronger and Sharper".

Boost continued robust performance in 2017-18 on the back the successful communication platform of 'Play A Bigger Game' that was launched a year ago. The platform of 'Play A Bigger Game' was supported with engaging long-form content on digital & was also extended seamlessly into on-ground activations. 'Play The Pros': a unique initiative was launched that gave kids a chance to take on Pros like PV Sindhu, Virat Kohli, Sunil Chhetri etc. & thereby giving them an opportunity to "Play A Bigger Game".

From a competitive stand point, Boost continued to grow off-takes at 2X of the category growth in the core market of South India. The business performance in 2017-18 was well contributed by both sachets (Low Unit Packs) as well as the large packs with both having equal contribution to growth. Boost achieved highest ever market share and annual gain in household penetration in the 4-decade long history of the brand in the South Indian market.

Horlicks Growth+ launched a new campaign, focused on fostering growth in young children. Horlicks Growth+ is a breakthrough nutrition formula designed by international paediatric experts and contains high quality protein with essential nutrients that have been identified and are known to optimise growth without causing obesity in children. With the latest TV campaign featuring a young child, Horlicks Growth+ showcases the benefits of adopting a clinically proven scientific solution to address the rampant growth-related issues in children.

Women's Horlicks continued its differentiation through product launch in Feb'2018 with "Great New Taste" to penetration by offering new chocolate flavour. Moreover, a new campaign featuring film star Taapsee Pannu was launched. Fashioned around the theme of #StandStrong, the campaign sought to bring to the fore the issue of bone health amongst women in India and envisions to make them #StandStrong in following their passions.

Dividend

The Directors recommend a total dividend of Rs. 75 per equity share of Rs. 10 each for the year ended March 31, 2018. If approved by the members at the ensuing Annual General Meeting to be held on August 8, 2018, it will be paid on or before, September 7, 2018 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 August 1, 2018.

Management Discussion and Analysis Report

Fiscal year 2017-18 was characterised by enhanced global economic growth, stabilising crude oil prices, changing global political landscape, shifting attitudes to globalisation, free trade, wage stagnation and political uncertainty etc.

In India, the past year has been significant with implementation of key economic reforms such as GST. Indian government remains keen on driving economic reforms and initiatives such as Goods and Service tax (GST), Digitisation, Make in India, Infrastructure Capital Investments, Rural Development and Financial Inclusion etc. Last year saw Indian economy growing at 6.6% (projected for F.Y 18). Other major developments included improvement in Ease of Doing business index, Upgradation of India's sovereign credit rating and other digital inclusion initiatives.

The introduction of GST marked a huge stride towards a single economic union of India with unified tax structure. It is an indirect tax levied on the supply of goods and services implemented to replace several cascading

taxes levied by the central and state governments. However, your Company was proactive to ensure GST readiness well in advance. To ensure GST readiness and compliance, several key processes were reviewed, IT systems were upgraded and stakeholders across the different nodes of the value chain were trained. These dedicated efforts ensured orderly and smooth transition into a new economic environment. A uniform taxation system resulted in economic benefits for the business and it was one of the first organizations to pass on the benefits to consumers.

The implementation of uniform tax regime led to a short-term disruption in Trade. FMCG Industry continued to remain under pressure but picked up growth in the last two quarters of the year owing to stabilizing rural demand, rising urban consumption and low-base effect (demonetization in Q3, Q4 in F.Y 2017).

Despite challenges, it was well placed to deliver consistent performance given the understanding of consumer behaviour. It also has robust price value proposition, high-science based products, Go-to-Market Strategy, pipeline for innovative products, efficient cost and talent management processes. These, it believes, fortifies us against headwinds.

The rural business has been working with the vision of building a strong connect with the communities it serves. Over the years, your Company has built a strong rural business that continues to reach over 21,500 villages directly. This has helped the Company build categories & brands and create positive social impact by building awareness on nutrition & promoting good health practices.

Two key growth drivers in the Rural Programme are Horlicks Swasthya Abhiyan (HSA) and Village Level Entrepreneurs (VLE); HSA program aims to improve the standard of hygiene & health in the rural areas, engaging with rural medical practitioners and community workers, thus creating awareness, education and relevance for the brands. HSA now reaches over 5,900 villages, 14,000 Rural Medical practitioners and connects with over a million consumers. VLE has reached more than 3,600 villages by which we are reaching out to bottom of the pyramid (Direct reach of 2,16,000 households) and in this process, create livelihood for underprivileged rural women while enhancing access of the products in small villages economically empowering rural women. Mobile Sakhi, a mobile based advisory service for pregnant mothers, delivers vital information pertaining to pregnancy is used by over 63,000 rural women.

Further, your Company has continued to address the issue of malnutrition under Mission Health, working with strategic partners as part of CSR initiatives during the year. It has also formulated a clear outline on the CSR philosophy and further details are provided in CSR Section.

Your Company brings a strong heritage and years of trust and credibility. It has strong R&D capabilities and the product portfolio continues to be strengthened by accelerated innovation and renovation to stay relevant to the emerging and differentiated needs of the consumers. Your Company continues to invest in brands and connect with the consumers through innovative and diversified platforms of online and offline advertising. Recognizing the trend of increasing digitization, your Company enhanced its presence in ecommerce channels.

Your Company has made significant efforts towards digital advocacy programs including activity targeting moms online, social media amplification of TVCs, Bone Density Tests on Women's Day, popularisation of "Horlicks Brand Store", digital launches for Protein+ etc. All these have helped increase engagement, consideration and strengthen benefit perception amongst customers.

Your Company's focus on cost management, working capital optimisation and simplification program continued to deliver positive results in mitigating inflation and supporting profitable growth. Improvement in working

capital, better cash flow and cost optimization have supported sustained investments in Company's brands.

Reserves

The total reserves as on March 31, 2018 stood at Rs. 34,43,06.34 Lacs representing an increase of 11.77% from March 31, 2017.

Research and Development (R&D)

Your Company's R&D vision is to improve lives of more by creating and sustaining consumer-led science based innovation. Science remains the core of the product portfolio that addresses the nutritional needs of consumers. At R&D, new product innovation teams have been working on new claims, new formats, product platforms and science platforms to build Innovation pipeline. There were 2 New products launched in the year.

- **Horlicks Protein+:** Launched in Feb'2018 in 2 flavours i.e. Vanilla and Chocolate, Protein + extended Horlicks presence in the high protein HFD segment for adults (30- 45 yrs.). Protein+ helps adults in the age group 30+ to support healthy muscles and energy release. Product has been designed with triple sources of protein and better quality of proteins with higher levels of essential amino acids.
- **Women's Horlicks relaunch:** Women Horlicks continued its differentiation through product launch in Feb'2018 with "Great New Taste" to Increase penetration by offering new chocolate flavour.

GSK Consumer Health advisory Board 2017-2019 is a category led initiative. The first meeting was conducted in Dec'2017 for Nutrition category wherein various aspects of "Childhood Growth and Development in Indian Children" were discussed. Renowned scientists and physicians in the field of nutrition and paediatrics attended this meeting to discuss about the current & future nutrition status, challenges and opportunities for growth and development in Indian children.

The R&D function continues to focus on the regulatory compliance with local food laws, and proactively engages with the regulatory authorities and industry associations to shape the regulatory environment for science based innovation in food and nutrition. FSSAI released Food Safety & Standards Amendment Regulations, 2016 (notification), stating changes in permitted levels/or removal of specific ingredient/actives from food items. It has successfully complied with the FSSR regulations including technical feasibility of regulatory initiatives on proposed Codex changes on Food Safety & Standards Amendment (Ingredients & Additives) & Proprietary food products meeting ONE RDA (ICMR) for all vitamins & minerals meeting July'17 timelines.

Also, a high science packaging lab has been established to drive science based packaging innovation program. This high science lab will help conducting the product package interactions at early stage of project to enhance speed of execution. It received many packaging excellence awards and recognitions for the efforts.

Printed electronics Point of Sale (POS) for Horlicks growth Plus: Printed electronics technology was developed on commercial scale in India as a part of Horlicks Growth+ POS to enable "Go for More Strategy" in the market. Moreover, CLS (Core Lab Systems) has been implemented as improvement in R&D Product development process to enhance the compliance and data integrity.

You will be pleased to know your Company's R&D function has adopted best practices as mentioned below:

- As part of the initiative to build future innovation pipeline, ideation workshops and consumer insights, developments have been made during the year by consumer Insight group and commercial category

teams with active participation from R&D. The ideas and concepts generated through this workshop are under validation and scoping, to build the medium and long-term pipeline. It also adopted best practices in consumer insights and have a strong network with GSK's global capabilities on scientific exploration, clinical science, sensory and product understanding, packaging expert networks to access best information to deliver product of best quality, science and relevance.

- 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 most efficient cost advantage to end consumer.
- R&D is working towards the environment sustainability initiatives. In the area Packaging (Material science), it moved into more sustainable foil less primary laminate pack structure.

You will be glad to know that your Company's R&D is significantly involved in building and defining new science and benefits through modern technology that would give cutting edge advantage to the offerings along with scientific research to drive differentiated claims, enabling us to sustain our category leadership. Some of the high science differentiated products are in advance stage of development for launches in short, medium, and long term, and thus making it innovation pipeline robust.

ISO Certification

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

Information Technology

Your Company strengthened its efforts 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, the Company has kicked off simplification projects like creation of E-forms for streamlining the requisition process. CH tech roadshow was organized to increase the Tech Quotient of employees by showcasing the technologies readily available and future innovations which will enhance their productivity.

Internal Control System and Adequacy

Your Company has established and maintained adequate internal control framework in line with the Internal Financial Controls ("IFC") requirement within the meaning of the explanation to Section 134(5)(e) of the Companies Act, 2013 including financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). The Company has evaluated the operating effectiveness of internal control systems which are supplemented by:

- Well-documented standard operating procedures, policies, risk and control matrices for all material processes and fraud risk mitigation. Further, these documents are tested for operating effectiveness, regularly reviewed and updated to align 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 the Managing Director.

- The self-assessment by process/ control owner is also used as the basis of CEO/CFO certification as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchange. Further, the self-certification is reviewed by the Audit Committee on a half yearly basis.

- Your 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.

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

Human Resource Development

Your Company has set a new goal to be one of the most innovative, best performing and trusted healthcare companies in the world. The Company has also defined a new set of GSK Expectations to realize this goal – Courage, Accountability, Development and Teamwork. The new GSK expectations alongside the values will be the foundation of the culture; it wants to establish at GSK.

A large part of embedding this culture in the organization is linked to providing rewarding careers to the people. Building on the 2017 integrated approach to Career Frameworks (My Winning Career), the focus this year was on employee experience – enabling people to chart their long-term careers, have conversations with senior leaders and build plans to develop skills for their next career move.

Various initiatives around 'My Winning Career', enabled employees in the organization to come together, take a step back and spend time dedicated to conversations around careers & development.

The focus has resulted in improved engagement scores in 2017. The latest engagement survey scores have increased across the themes of the Values, Expectations and Priorities of Innovation, Performance & Trust.

Your Company continued to invest significantly in developing talent across levels, leveraging processes such as integrated talent management to ensure sustainability of talent, role changes and robust succession pipelines for all key roles. It started the 'India Leadership Program' – an initiative to develop, engage and retain emerging leaders in the organization to strengthen succession pipeline at leadership level.

In 2017 it has focused on 'Employee Experience' – to enable employees experience key people processes / offerings in the Company. It set-up Kiosks in the annual conferences to enable employees understand & experience 'Learning on-the-go' (online learning resources), Workday (HR management system), Employee Referral Program, GSK Values & Expectations, Career Frameworks, Employee Safety and Partnership for Prevention (Health & Wellbeing initiative).

The focus on Differentiated Development ensured that employees can leverage a variety of opportunities to develop and take on greater responsibilities in line with their career aspirations. It also continued to build the early talent pipeline by hiring from the best B-schools in the country, as well as sending the high potential talent on global talent acceleration programs.

Your Company is strongly committed to principles of inclusion and diversity (I&D) which is a critical element of the global HR strategy, as well. In 2017, it planned and executed the second "Inclusion and Diversity Week" which included a set of events conducted across locations, designed to help our employees value and draw on diverse knowledge and experiences. In 2017, it also launched the first Inclusion & Diversity Council. The council created a roadmap for themselves and identified the areas that they will work on such as awareness & training around I&D, new mothers related initiatives, talent acquisition & talent management. It focussed itself in ensuring 100% coverage of all employees in the Prevention of Sexual Harassment (POSH) training. It also participated in external I&D forums to share and understand best practices as well as to build future plans around this agenda. Your Company also initiated discussions with external agencies around child care centres for the benefit of its women employees.

Building a healthy, engaged workforce remains one of the key priorities thus, it focussed on embedding the Partnership for Prevention (P4P) program further in India. The program was launched in India in 2016, offering a host of preventive healthcare services for employees and their dependents. 2017 saw multiple on ground activations around P4P like awareness sessions, health and vaccine camps organised across locations to drive awareness and increase uptake.

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:

- Mission Health won the best award in category of Food and Nutrition Education Program of the Year at Nutrition and Food Security Awards 2017 by ASSOCHAM (Associated Chambers of Commerce and Industry of India).
- Horlicks won a Gold at DBA Design Effectiveness Awards 2017 for the product design in the beverage category.
- Sensodyne won a Bronze at Big Bang Awards 2017 under the social media category for the Whitening launch Facebook campaign.
- Boost has won a Silver @ EMVIEs'17 for the Best Media Strategy for the campaign Play A Bigger Game.
- Boost won the Gold for Best Video Content & Silver for Best In-App Strategy for the digital video campaign #playabiggergame at The Maddies'17.
- Boost won the Silver for Best Work in Mobile Analytics for its digital video campaign #playabiggergame at The Big Bang Awards'17
- GSK Consumer Health Care was awarded at the prestigious India Star 2017 for Boost restage and Horlicks growth Plus for the packaging design in consumer category.
- The "Sustainable sourcing of Horlicks raw materials" project won first place in 'Environmental sustainability' category in this year's CET Environment, Health, Safety and Sustainability Awards.

Directors

Mr. Navneet Saluja was nominated as Director by Horlicks Limited under Article 97A of the Articles of Association of the Company w.e.f. January 1, 2018, in place of Mr. Manoj Kumar. The change was noted and resolution for appointment of Mr. Navneet Saluja as the Managing Director of the Company for a period of 3 years and 10 months was passed in the meeting held on December 6, 2017. The Board of Directors wishes to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Manoj Kumar.

Mr. Subodh Bhargava ceased to be the Chairman of the Board from the close of business hours on March 31, 2018, consequent to withdrawal of his nomination by Horlicks Limited. The Board of Directors wishes to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Subodh Bhargava during his tenure as the Chairman.

Mr. Zubair Ahmed was nominated as Director by Horlicks Limited under Article 97A of the Articles of Association of the Company w.e.f. April 1, 2018. The change was noted and resolution for appointment of Mr. Zubair

Ahmed as the Nominee Director w.e.f. April 1, 2018 was passed and noted in the meeting held on December 6, 2017.

Mr. Mukesh Butani has resigned from the Board of Directors w.e.f. March 31, 2018. The Board of Directors wishes to place on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Mukesh Butani during his tenure.

Performance Evaluation of Board

A regular process of evaluating the Board's performance can help the Board in validating the relevance of its processes and provide insights for strengthening its overall efficiency and effectiveness. It evaluate the Board, the Directors, the Committees and the Chairman of the Board through a survey that takes place annually and the mechanism followed is mentioned below:

1. In February 2018, multiple surveys were sent to all Directors through a secured online survey portal.
2. The evaluation was based on Board's effectiveness, processes adopted by the Board, contribution by the Board Members, value addition by the Board and effectiveness & contribution of the Committees.
3. Once the Directors completed the survey, the third party appointed compiled the results and shared the analysis with the NRC Chairman and Chairman of the Board.
4. The Chairman of the Board then individually discussed the results and shared feedback with all Directors.
5. Based on the report of performance evaluation, it was determined whether to extend or continue the term of appointment of the Independent Directors.

It continued to use the same surveys for Board Evaluation which were revised & used in February 2017. Your Company is compliant to all guidelines circulated by SEBI on the Board Evaluation process.

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 has 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 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

Remuneration Policy for Non-Executive Directors

Your Company believes that its Board Members bring immense value in their independent evaluation and oversight of the operations of the Company. It is therefore expected that they will devote significant time and provide unbiased point of view to their Board duties.

The remuneration paid to each Non-Executive Director is as per the structure determined by the Nomination & Remuneration Committee and the Board. This is reviewed periodically and compared to other peer organizations. It is ensured that the remuneration paid to them is in accordance with the provisions of the Companies Act and any other applicable law.

The remuneration structure for the Non-Executive Directors comprises of annual Commission and sitting fee per meeting attended.

Remuneration Policy for Employees

Philosophy

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

Principles

- Competitive – Your Company provides competitive rewards in line with GSK global best practices.
- Differentiated - Your Company differentiates reward to attract and retain skilled employees; reward the greatest contributors and recognize employees who evolve their skills to enhance their individual contribution to GSK's success
- Alignment - Your Company's reward programs and practices are transparent and focus on ensuring alignment at several levels
- Business alignment - Your Company's reward program considers the common and business-specific skill/ performance requirements across the various business units
- Country alignment - Reward aims at meeting the needs of the diverse workforce and enabling them to live the 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

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

Your Company has 3983 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% for all employees including KMP.

When it compare the remuneration of these to that of median employee, it observed the following ratio:

Name	Designation	Remuneration for the year ended March 31, 2018 (Rs.)*	Remuneration for the year ended March 31, 2017 (Rs.)*	Salary Change	Ratio of Salary to Median Employee Salary
Navneet Saluja ¹	Managing Director	33,747,105	NA***	NC**	51
Manoj Kumar ²	Managing Director	58,456,062	59,826,057	NC**	81
Vivek Anand ³	Director – Finance	30,361,631	31,479,632	-4%	41
Anup Dhingra ⁴	Director – Operations	48,326,878	30,657,970	NC**	65
Shanu Saxena ⁵	Company Secretary & Area Ethics and Compliance Officer	11,174,000	6,374,617	NC**	15

*Remuneration is calculated on accrual basis.

**Not Comparable.

***Not Applicable.

1. Appointed in the role with effect from January 01, 2018, salary increase & ratio to median salary not comparable.
2. Ceased to be in the role with effect from December 31, 2017, salary increase & ratio to median salary not comparable.
3. Salary change is negative due to reduced variable payment as per his terms of appointment.
4. Appointed in the role with effect from September 01, 2016, salary increase & ratio to median salary not comparable.
5. Appointed in the role with effect from August 05, 2016, salary increase & ratio to median salary not comparable.

Your Company believes that by means of the variable pay plan the Company can 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. Your Company's variable pay plan, therefore, links the variable pay to both – individual performance and business results such as sales growth and operating profits.

The ratio of the remuneration of the highest paid director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the fiscal year is not applicable. It is also, affirmed that the remuneration is as per the Remuneration Policy of your Company

Name	Designation	Remuneration of KMP as percentage of Revenue	Remuneration of KMP as percentage of PBT
Navneet Saluja ¹	Managing Director	0.08%	0.31%
Manoj Kumar ²	Managing Director	0.13%	0.54%
Vivek Anand	Director – Finance	0.07%	0.28%
Anup Dhingra	Director – Operation	0.11%	0.45%
Shanu Saxena	Company Secretary & Area Ethics and Compliance Officer	0.03%	0.10%
		0.42%	1.69%

1. Appointed in the role with effect from January 01, 2018

2. Ceased to be in the role with effect from December 31, 2017

Total KMP Remuneration as a percentage of Revenue: 0.42%

Total KMP Remuneration as a percentage of PBT: 1.69%