



do more  
feel better  
live longer

GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED

# Annual Report

FOR THE YEAR ENDED MARCH 31, 2019



# WHEN MUSIC IS ON, EXAM FEAR IS GONE.



**Horlicks**  
**FEARLESS**  
**SONGS**



#FearlessExams



Horlicks is a nourishing beverage to be taken as part of regular daily diet.

CHIN/CHHORK/0034/19







GLAXOSMITHKLINE  
CONSUMER HEALTHCARE LIMITED

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### Registrars And Transfer Agents

Karvy Fintech Private Limited  
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

Zubair Ahmed (till 30.06.2018)  
P. Dwarakanath (appointed Chairman w.e.f. 01.07.2018)

### Managing Director

Navneet Saluja

### Directors

Kunal Kashyap  
Naresh Dayal  
Sangeeta Talwar  
S. Madhavan (w.e.f. 25.09.2018)  
Joaquin B Mascaro (till 25.06.2018)  
Vivek Anand  
Anup Dhingra

### Company Secretary

Shanu Saxena

### Bankers

State Bank of India  
HDFC Bank  
HSBC Bank  
Deutsche Bank A.G.  
DBS Bank  
Standard Chartered Bank  
Citi Bank  
Bank of America  
BNP Paribas  
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)

	2009	2010	2011*	2012*	2013-14*	2014-15**	2015-16***^	2016-17***^	2017-18***^	2018-19***^
				(15 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	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	40,52,66
Total Shareholders' Funds	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	40,94,71
<b>Funds Employed</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>27,98,71</b>	<b>31,22,67</b>	<b>34,85,12</b>	<b>40,94,71</b>
<b>Total</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>27,98,71</b>	<b>31,22,67</b>	<b>34,85,12</b>	<b>40,94,71</b>
<b>Application Of Funds</b>										
Property, Plant and Equipment (Gross)	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***	7,14,49***
Accumulated Depreciation/ Impairment	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***	2,34,69***
Property, Plant and Equipment (Net)	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***	4,79,80***
Investments	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	1,13,89
Net Assets (Current And Non Current)	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	35,01,02
<b>Total Application</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>27,98,71</b>	<b>31,22,67</b>	<b>34,85,12</b>	<b>40,94,71</b>

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

\*\* 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 based on Schedule III

\*\*\* For 2015-16, 2016-17, 2017-18 and 2018-19, 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, 2017-18 and 2018-19 are stated as per Ind AS

## Ten Year Track Record

(Rs. Lakhs)

	2009	2010	2011	2012	2013-14	2014-15	2015-16*	2016-17*	2017-18*	2018-19*
					(15 Months)					
Turnover	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	45,15,03
Profit Before Tax	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	15,12,29
Net Profit	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	9,82,80
Other Comprehensive Income (Net)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	(3,91)	21,60	16,67	7,04
Total Comprehensive Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6,83,37	6,78,28	7,16,77	9,89,85
Dividend	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**	3,15,42**
Corporate Dividend Tax	12,87	34,92	23,88	30,70	32,16	47,09	47,09**	59,93**	59,93**	64,83**
Retained Earnings	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**	6,09,60**
Dividend - %	1,80	5,00	3,50	4,50	4,50	5,50	5,50	7,00	7,00	7,50
Earnings Per Share (Rs.)	55.35	71.30	84.46	103.85	160.44	138.77	163.42	156.15	166.47	233.69
Number Of Share Holders	22,443	22,867	25,639	27,020	26,423	27,288	33,352	41,916	47,243	56,785

\* 2015-16, 2016-17, 2017-18 and 2018-19 are stated as per Ind AS

\*\* For 2015-16, 2016-17, 2017-18 and 2018-19, the company has reported Dividend, CDT &amp; Dividend % on actual payment basis as per Ind AS.

# Financial Highlights

## FINANCIAL

Revenue from Operations  
2018-19

**Rs 47,82,01 Lakhs**

Growth vs LY: **9%**

(Comparable growth: **12%**)

PBT  
2018-19

**Rs 15,12,29 Lakhs**

Growth vs LY: **41%**

EPS  
2018-19

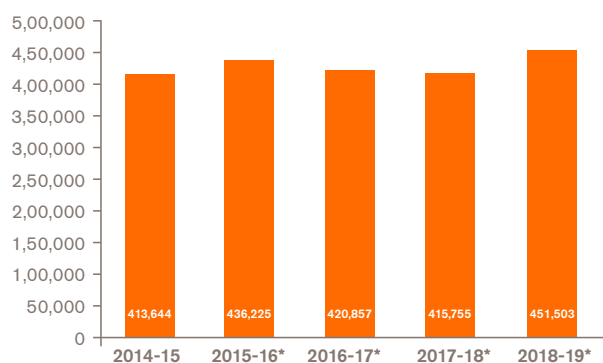
**Rs 233.69** per share

Growth vs LY: **40%**

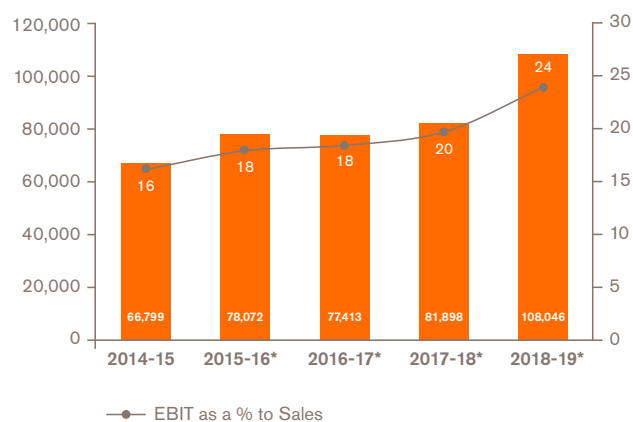
Cash from operations  
2018-19

**Rs 11,70,58 Lakhs**

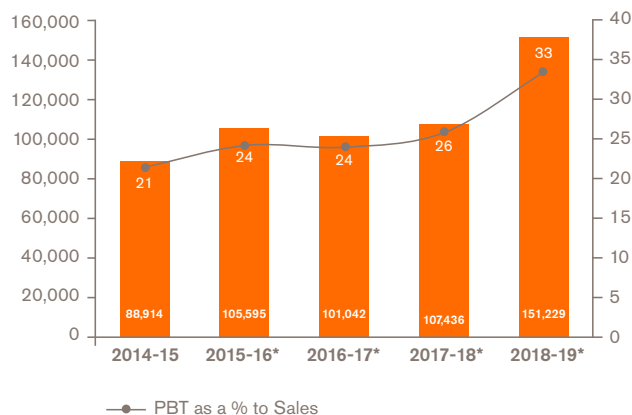
**Turnover**  
(Rs. Lakhs)



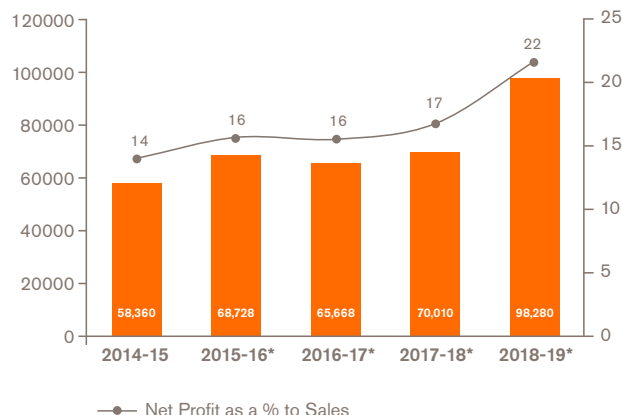
**EBIT**  
(Rs. Lakhs)



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



**Net Profit**  
(Rs. Lakhs)



\*2015-16, 2016-17, 2017-18 and 2018-19 stated as per Ind AS

## OTHER METRICS

Distribution outlets - **1.96 MN**  
Highest ever with a 10% YOY growth

**Reduced water consumption** by **11%** at sites to 554,212 KL in 2018-19

**13%** reduction in Carbon Emissions (Absolute Carbon (Kg))

Nutrition & WASH ("water, sanitation and hygiene") programme reaching out to over **2,35,000** beneficiaries (PAN India covering 5 states)

**Horlicks Swasthya Abhiyan** reached **7,000 villages** through 15,000 Rural Medical Practitioners

Created livelihood for rural women in **216,000 households** through the Village Level Entrepreneurs programme

## KEY FINANCIAL RATIOS

Particulars	2016-17	2017-18	2018-19
Return on Net Worth (%)	22%	21%	24%
Return on Capital Employed (%)	24%	26%	36%
Operating Profit Margin (%)	18%	20%	24%
Net Profit Margin (%)	16%	17%	22%
Basic EPS	156.15	166.47	233.69
Current Ratio	2.59	2.62	2.90

### Detailed explanation of ratios

#### 1. Return on Net Worth

Return on Net Worth is a measure of profitability of a Company expressed in percentage. It is calculated by dividing total comprehensive income for the year by average capital employed during the year.

#### 2. Return on Capital Employed

Return on Capital Employed is a financial ratio that measures a Company's profitability and the efficiency with which its capital is used. It is calculated by dividing profit before exceptional items and tax by average capital employed during the year.

#### 3. Operating Profit Margin (%)

Operating Profit Margin is a performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the EBIT by turnover.

#### 4. Net Profit Margin (%)

The net profit margin is equal to how much net profit is generated as a percentage of revenue. It is calculated by dividing the profit for the year by turnover.

#### 5. Basic EPS

Earnings Per Share (EPS) is the portion of a Company's profit allocated to each share. It is calculated by dividing Profit for the year by Weighted average number of shares outstanding during the year.

#### 6. Current Ratio

The Current Ratio indicates the extent to which current liabilities can be paid off through current assets. It is calculated by dividing the current assets by current liabilities.

## 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 your Company for the year ended March 31, 2019. These statements have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) as prescribed under Section 133 of the Companies Act, 2013.

### Financial Results

(Rs. Lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Revenue from Operations	47,82,00.53	43,77,05.34
Profit before Depreciation, Amortisation and Tax	15,72,79.56	11,38,73.38
Less: - Depreciation and Amortisation	6,050.49	64,37.39
<b>Profit before Tax</b>	<b>15,12,29.07</b>	<b>10,74,35.99</b>
Income Tax Expense :		
- Current Tax	5,27,92.91	3,61,90.58
- Deferred Tax	1,55.76	12,35.19
	<b>5,29,48.67</b>	<b>3,74,25.77</b>
<b>Profit after Tax for the Year</b>	<b>9,82,80.40</b>	<b>7,00,10.22</b>
Other Comprehensive Income for the year, net of tax	7,04.24	16,66.78
<b>Total Comprehensive Income for the year</b>	<b>9,89,84.64</b>	<b>7,16,77.00</b>
<b>Appropriations</b>		
Dividend Paid	(3,15,41.65)	(2,94,38.88)
Tax on Dividend	(64,83.48)	(59,93.06)
	<b>(3,80,25.13)</b>	<b>(3,54,31.94)</b>
<b>Earnings per Equity Share</b>		
Basic and Diluted Earnings per Equity Share (INR)	233.69	166.47
Dividend per Share (Rs.)	105.00*	75.00

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

### Performance of your Company

Your Company continued its journey of being a leading Fast-moving consumer healthcare Company, delivering a healthy sustainable growth which is reflective of the trust that consumers have in your products. This year witnessed a strong performance in terms of volume led profitable growth. In the year ended March 31, 2019, net revenue from operations grew by 9.3% vs last year to Rs. 47,82,00.53 Lakhs and Profit after Tax grew by 40% vs last year to Rs. 9,82,80.40 Lakhs. The strong track record of cash generation was sustained. Your Company accelerated its growth momentum and further strengthened the competitive position in HFD ("Health Food Drinks") category with volume and value market share at 63.8% and 53.8% respectively.

During the year, your Company continued to focus on strengthening the core portfolio, driving premiumisation, creating new engines of growth with expansion in existing and new markets and embracing digital and e-commerce.

Your Company strengthened its business through science-based innovation and brand building initiatives. It focused on building a consumer preferred and expert recommended brand which is differentiated by science and insight driven innovation.

Your Company continued to build momentum behind its high science range with **Horlicks Growth+** and **Horlicks Protein+**. The high science range continues to drive Horlicks equity. Horlicks protein offers a "Better Protein" proposition to its consumers with an excellent taste that keeps the brand share in the protein segment.

Innovation continues to be the key focus for your Company. The new Horlicks campaign "Badhne ki Bhookh Rag Rag mein" aims to create awareness around nutrient absorption. The campaign highlights that Horlicks contains B10 nutrients which gets absorbed in blood and hence makes children tall, strong and sharp.

Junior Horlicks embarked on a new journey of becoming the most preferred brand for brain development. The restage involved a new pack and formulation change with 2 times more DHA content, one of the key ingredients in driving cognitive development amongst toddlers. High impact on TV and surround media helped the brand further strengthens its credentials.

**Boost** forayed into the ready to drink segment with **Boost ON-THE-GO**, marking yet another innovation. The launch catalyses consumption on Boost to cold and out of home occasions positioned as a tasty refreshing drink with energy and stamina supporting nutrients. The launch leverages the equity of brand Boost on energy, taste and one which the children love.

Your brand - Boost continued to grow in double digit in the core market of South India. The launch of "play the pros" gave a chance to the core audience to play with their sporting hero "MS Dhoni". Boost sachets helped in driving incremental consumption and penetration during the year.

Your Company has further strengthened its distribution base, sales capabilities and execution skills for enhanced customer service across channels. The visibility led retail activation programs like Orange Stores helped in driving on-shelf availability.

Supply chain continued its relentless focus on driving quality, customer service and cost effectiveness across the value chain. Customer service levels reached upwards of 95% while cost savings were at a record high, which helped the business to invest behind growth and still deliver a healthy margin improvement. Your Company took steps to further reduce waste, water consumption, energy usage and carbon emissions in factories and offices.

It was an outstanding year of high performance with considerable achievements across the business. Sustainable, profitable growth can only be achieved in an organisation when employees are engaged and empowered. The employee engagement scores were at an all-time high. Your Company has put in continuous efforts to develop the right capabilities for different ways of working and leadership qualities in people.

### Dividend

The Board of Directors recommend a total dividend of Rs. 105 per equity share of Rs. 10 each for the year ended March 31, 2019. If approved by the members at the ensuing Annual General Meeting to be held on August 2, 2019, it will be paid on or before, September 2, 2019 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 26, 2019.

### Dividend Policy

The equity shares of GlaxoSmithKline Consumer Healthcare Limited (the "Company") are listed at the Bombay Stock Exchange Limited ("BSE Ltd.") and the National Stock Exchange of India Limited ("NSE Ltd").

As per the Regulations, your Company is required to formulate a policy regarding distribution of dividend to its Shareholders and/ or retaining its profits ("Dividend Distribution Policy") and shall disclose the same on its website and in the Annual Report. The Board of Directors (the "Board") has formulated the Dividend Distribution Policy of your Company which reflects the intent of your Company to reward you by sharing a portion of its profits after retaining sufficient funds for growth of your Company. Your Company will pursue this Policy to pay dividends to you.

The general considerations of your Company for taking decisions about dividend pay-out or retention of profits shall be as following:

- A. Circumstances under which the shareholders may or may not expect dividend:
  - i. Magnitude of earnings of the Company
  - ii. Inadequacy of profits
  - iii. Operating cash flow of the Company
  - iv. Obligations to creditors
- B. Financial Parameters that shall be considered while declaring dividends:
  - i. Company Performance
  - ii. Statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Capital Redemption Reserve
  - iii. Proposals for capital expenditures
  - iv. Working capital management
  - v. Cost of borrowings: The Board will analyze the requirement of necessary funds considering the long term or short-term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers or lending institutions.
- C. Internal and External factors that shall be considered while declaring dividend:
  - i. Product/ market expansion plan
  - ii. Macroeconomic conditions
  - iii. Taxation and other regulatory concerns

The decision of dividend pay-out shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

The complete policy is also available under investor relations section at [www.gsk-ch.in](http://www.gsk-ch.in)

## Management Discussion and Analysis Report

In fiscal year 2018-19, the Indian economy regained momentum after a slowdown due to demonetisation and the implementation of GST (Goods and Services Tax). Sustained GDP growth is likely to continue though there is a decline in growth projections. Budget focus over rural and unorganised sector will stimulate the demand and boost rural growth.

Over the years, your Company has built a strong rural foothold that reaches over 24,000 villages directly. Its rural business has been working with the vision of building a strong connect with the communities it serves. This has helped your Company build categories and brands and create a positive social impact by building awareness on nutrition & promoting good health practices.

Your Company has continued to focus on two key growth drivers in the Rural Programme namely, Horlicks Swasthya Abhiyan("HSA") and Village Level Entrepreneurs ("VLE"); HSA program aims to improve the standards 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 7,000 villages through 15,000 Rural Medical Practitioners and connects with over a million consumers. VLE has reached more than 3,000 villages by which your Company is reaching out to the bottom of the income pyramid (direct reach of 216,000 households). In

this process, your Company creates livelihood for rural women while enhancing the access of your products in small villages. Mobile Sakhi, a mobile based advisory service for pregnant mothers, delivers vital information pertaining to pregnancy and is currently being 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 ("Corporate Social Responsibility") initiatives during the year. Your Company formulated a clear philosophy on the CSR. Further details are provided in CSR section of this Annual Report.

Your Company continued to strengthen its business through focus on delivering high science-based innovation. Your Company continued to drive brand building activities through diversified platforms of online and offline advertising and consumer-connect activities.

R&D constantly explores opportunities for a robust Innovation pipeline to address new cohorts and consumption occasions.

Your Company has made significant investments to accelerate E-commerce sales especially for the high science portfolio and new launches.

Your Company recognizes the importance of different channels including E-Commerce and Modern trade which is helping to promote and build advocacy for your premium products – Protein+, Women's Horlicks, Growth+, etc. To support all the channels, your Company has also engaged with subject matter experts to assess and build capabilities that can help accelerate and deliver sustainable growth for Health Drinks.

Your Company's sincere efforts on cost efficiency, cash flow management, value engineering, quality, compliance, rationalised consumer promotion spending's continued to deliver positive results in supporting profitable growth.

## Reserves

The total reserves as on March 31, 2019 stood at Rs. 40,52,65.85 Lakhs representing an increase of 17.71% over March 31, 2018.

## Compliance with Laws and Regulations

As per the provisions of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH"), your Company has a robust mechanism in place to redress complaints reported. Your Company has complied with provisions relating to the constitution of Internal Complaints Committee ("ICC") as per the guidelines laid down in the Act for each of its locations. The ICC comprised of internal members and an external member as required under the Act. During the year 2018-19, three cases of sexual harassment were reported in your Company which were addressed within the legal framework. To enhance awareness the details of ICC members have been widely communicated with all employees. Besides this all employees are required to go through mandatory online training module to enhance awareness and knowledge of biases that may influence thinking and actions. Your Company also organizes several workshops for its employees to build a culture of zero tolerance on sexual harassment and discrimination.

## Research and Development (R&D)

Your Company's R&D vision is to improve the lives of people by creating and sustaining consumer-led science-based innovation. Science remains the core of your product portfolio that addresses the nutritional needs of consumers. The R&D team continues to focus on new product innovation in new formats, supporting different platforms to build an Innovation pipeline. The team successfully launched 3 new products this year.

- **Boost RTD:** With this launch in May 2018, Boost expanded its reach to consumers in a new format of Ready to Drink Beverage with the first launch in the State of Tamil Nadu. The innovation aims to cater to additional demand spaces / consumption occasions and enter "On the Go / Out of Home consumption" through a new format.



- **Junior Horlicks Restage:** A successful relaunch of Junior Horlicks portfolio with 40 mg DHA and reduced sugar (Nov 2018). This was a multifaceted innovation of Horlicks' largest extension where changes were done across product, packaging and claims, delivering better claim to consumer (Now with 2X DHA), superior taste versus previous product, healthier choice (reduced sugar) and better pack design.
- **Mother's Horlicks- No added Sugar:** Launched in May 2018 in India in 2 flavors i.e. Vanilla and Kesar, to meet the daily nutritional requirements of the consumers.

The R&D function continues to focus on 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.

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

- Rigorous consumer understanding/insight/validation work was conducted. Mapping of the Fundamental insight work with the Consumer Experience Journey, by identifying the Desired Consumer Experience and laying out the strategic framework for short, medium and long-term innovation opportunities for Family Nutrition. New breakthrough opportunities on new consumer segments, benefit areas, channels, platform extensions, product, packaging, claims, communications and digital innovations were identified to shape the pipeline and drive business growth.
- Working closely with the cross functional teams including NPD("New Product Development"), Sensory and Product Understanding, CDMA("Clinical Development and Medical Affairs") and Quality to develop products translating insights to ideal product models, to deliver holistic product design and superior product experience to delight your consumers.
- Structuring of Value Engineering Program that helps to mitigate the increasing cost of raw materials. Designing to value remains an integral part of R&D product development process to provide most efficient cost advantage to end consumer.

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 customer offerings along with scientific research to drive differentiated claims, enabling your Company to sustain 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 the innovation pipeline robust.

#### ISO Certification

Your Company's manufacturing facilities at Nabha, Rajahmundry and Sonepat continue to be certified to ISO 9001: 2015, ISO 22000: 2005, ISO 14001: 2015, ISO 18001: 2007 and OHSAS 18001 by SGS, a leading International Certification Company. These certifications indicate your Company's commitment in meeting in a sustainable manner Global Quality, Environment, Health, and Safety Standards.

#### Technology

Your Company delivered on various aspects of technology for business efficiencies. During the year, your Company completed simplification projects like E-forms for requisition, GST Enhancements and new VITTRAK Distributor Management System. This function delivered Innovation projects like iStore predictive analytics for sales force, ChatBot for Compliance and several initiatives on Digital, Data and Analytics. CH Tech roadshow is a regular quarterly feature to augment Tech Quotient of the employees by showcasing the technologies readily available and future innovations to enhance productivity.

#### Internal Control System and Adequacy

Your Company has established and maintained adequate internal controls including financial controls over financial reporting. Your Company has ensured the operating effectiveness of these internal controls as follows:

- Establishment of well-documented standard operating procedures, policies, risk and control matrices for all material processes. These processes are regularly tested for operating effectiveness, reviewed and updated frequently so as to align with global best practices.
- Any material variances from the budget are reviewed monthly and approved by the senior management. All major policy changes are approved by the Managing Director.
- Self-assessment by process/ control owners is also used as the basis of CEO/CFO certification as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchange. This self-certification is reviewed by the Audit Committee on a half yearly basis.
- Your Company has a Risk Management Committee ("RMC") comprising of the Managing Director, the Finance Director and the Operations Director. The role of RMC is to ensure a comprehensive risk management framework is in place. The RMC also ensures that the risks are reviewed on an ongoing basis. Your Company has developed appropriate risk management framework for identification, assessment, monitoring and mitigation of various risks to ensure smooth flow of operations which acts as an integral function to the creation, protection and enhancement of shareholder value. Your Company has developed and implemented risk mitigation plans to manage the identified risks. The RMC reviews the risk mitigation plans quarterly. The meetings were held on May 31, 2018, August 22, 2018, October 23, 2018 and January 24, 2019 during the year ended March 31, 2019.

Your Company has a robust internal audit function, that reports into the Audit Committee and carries out comprehensive reviews of operations, systems and functions based on the plans approved by Audit Committee. Significant Audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of your Company's internal controls and monitors the implementation of audit recommendations including those relating to strengthening of your Company's risk management policies and systems.

#### Human Resource Development

Your Company aspired to become one of the world's most innovative, best performing and trusted healthcare companies. In this year, your Company continued to strive towards this goal, by enabling a new performance system and by changing the GSK values including Courage, Accountability, Development & Teamwork. Workshops, learning sessions & kiosks were held to train the employees on the new performance system & embed the new GSK values system.

In the current year, a key priority was to enhance engagement levels of the workforce, thereby enabling high performance. A key initiative was to launch a series of interventions on 'Managing Change', particularly in the context of the announcement of the Strategic Review of the Nutrition (HFD) category business. Workshops on Managing Change were conducted for all managers in the organization, enabling them to build resilience & enhance performance. Your Company's focus on employee engagement resulted in exceptional engagement scores. For the first time ever, the workforce from all factories and sites were also included in the engagement survey.

The employees are the cornerstone of your organization and your Company continued to invest significantly in developing talent across levels, leveraging processes such as integrated talent management to accelerate development and ensure robust succession pipelines for all critical roles. This resulted in robust and differentiated development for



employees at all levels, thereby building capability to facilitate career progression and deliver enhanced performance. The talent continued to attract developmental opportunities through global assignments & global talent acceleration programmes.

Your Company leveraged fresh talent pipeline by hiring & onboarding talent from the best educational institutes in the country. Your Company significantly scaled up engagement levels with these institutes through the Orange Run initiative. This healthcare-based engagement programme aimed to connect better to millennials by projecting GSK as a Modern Employer through diverse events on campuses, with a 2 km "Orange Run" as the highlight.

There was significant focus on Health & Wellbeing of employees through various initiatives. Fitness and energy management were key themes underlying programmes like Wellness Connection, featuring in-house sessions on yoga & fitness and increased offerings of the flagship Energy & Resilience training programmes, like Energy for Performance. Your Company has continued to embed the Partnership for Prevention programme, launched in 2016, focusing on preventive healthcare services for employees & their dependents.

Your Company remains strongly committed to the principles of Inclusion & Diversity (I&D). The third edition of the Inclusion & Diversity week featured diverse events to facilitate discussions and enhance awareness on the benefits of inclusion & diversity, including a campaign to encourage employees to champion the cause in their own teams. Your Company engaged in external I&D forums to share best practices and to gather useful insights. Your Company launched its first ever Child Care Support policy across the organization to create a comfortable environment for returning mothers & empowering them to contribute to their full potential.

Your Company also signed a progressive 3-year Long-Term Wage Settlement for the Rajahmundry factory in December 2018. This settlement was concluded without any relationship damage and the site was able to deliver higher volumes over the forecast.

### Awards and Recognitions

Your Company aspires to deliver the best product with high nutritional value and best quality. During the year, efforts were appreciated and recognised by various forums and agencies, some being:

- Horlicks' Fearless Kota, a campaign focusing on the exam stress won at the 4th edition of the Ind International Advertising Association Awards in the Foods and Beverages category.
- Your Company was awarded a gold award for the Long-term rural engagement program. ACEF ("Artificial Intelligence Forum & Awards") awards recognize and celebrate the best of the best in marketing & communication and strong consumer connect at an Asia level.
- Horlicks Swasthya Abhiyan won a Gold award by the Rural Marketing Association of India.
- Horlicks won a Gold at WOW awards Asia in June 2018 for the best campaigns, events, talents, work and venues in the experiential domain.
- Mother Horlicks won silver award for Real Time Marketing case study at Lighthouse Digital Campaign Awards
- Horlicks Oats won a Gold for Branded Content Series at Lighthouse Digital Campaign Awards
- Boost won silver for Best Tech Innovation and bronze for Best use of medium length video at Lighthouse Digital Campaign Awards
- Boost won bronze for Best ROI, for Most effective use of AI for a campaign and business optimization, silver for Best SEO for website, universal search ranking and silver for Best effective use of digital analytics by Indian Drugs Manufacturers' Association.
- Horlicks won bronze for Best Integrated Media (Beverages) by Advertising agencies Association of India
- Horlicks won bronze for Mobile Audio by Smarties India and Smarties APAC

- Boost won bronze for Digital Strategy by International Data Centre Authority

### Directors

Mr. Joaquin B Mascaro resigned from the Board of Directors as Non-Executive Director of the Company with effect from June 25, 2018 and Mr. Zubair Ahmed resigned as Non-Executive Director and Chairman of the Company with effect from June 30, 2018. The Board of Directors placed on record its sincere appreciation for the valuable advice and guidance rendered by Mr. Joaquin B Mascaro and Mr. Zubair Ahmed during their respective tenure.

Mr. P. Dwarakanath ceased to be the Independent Director of the Company with effect from June 30, 2018 and was nominated as Director by Horlicks Limited under Article 126 of the Articles of Association of the Company w.e.f. July 1, 2018. Mr. Dwarakanath was appointed as Non-Executive Chairman by the Board of Directors in its meeting held on June 30, 2018.

Subject to the approval of shareholders, the Board of Directors via Circular Resolution dated September 25, 2018 appointed Mr. S. Madhavan as Independent Director of the Company with effect from September 25, 2018 for a term of 3 years i.e. from September 25, 2018 to September 24, 2021.

The present term of Mr. Anup Dhirga, Executive Director of the Company designated as Director – Operations, who was appointed for a period of 3 years by the members of the Company effective September 1, 2016 up to the date of Annual General Meeting in 2019 is coming to an end. Subject to the approval of shareholders, the Board of Directors in its meeting held on May 10, 2019 re-appointed Mr. Anup Dhirga for another term of 3 years as Executive Director effective from the date of Annual General Meeting in 2019.

The present term of Mr. Vivek Anand, Executive Director of the Company designated as Director – Finance and Chief Financial Officer, who was appointed for a period of 3 years by the members of the Company effective August 5, 2016 up to the date of Annual General Meeting in 2019 is coming to an end. Subject to the approval of shareholders, the Board of Directors in its meeting held on May 10, 2019 re-appointed Mr. Vivek Anand for another term of 3 years as Executive Director effective from the date of Annual General Meeting in 2019.

The present term of Ms. Sangeeta Talwar, Independent Director of the Company who was appointed for a period of 3 years by the members of the Company effective August 5, 2016 up to the date of Annual General Meeting in 2019 is coming to an end. Subject to the approval of shareholders, the Board of Directors in its meeting held on May 10, 2019 re-appointed Ms. Sangeeta Talwar for another term of 3 years as Independent Director effective from the date of Annual General Meeting in 2019.

The Board of Directors in its meeting held on May 10, 2019 also appointed Mr. P. V. Bhide as an Independent Director of the Company with effect from May 10, 2019 for a term of 3 years i.e. from May 10, 2019 to May 9, 2022.

### Performance Evaluation of the Board

A regular process of evaluating the Board's performance helps it in validating the relevance of its processes and provides insights for strengthening its overall efficiency and effectiveness. As part of this process, an evaluation was done for the Directors, the Committees, the Board and the Chairperson of the Board through a survey that takes place annually and the process that was followed. This is explained below:

1. In February 2019, the survey questionnaire was sent to all Directors through a secured online survey portal.
2. The questions were drawn from the guidelines circulated by SEBI on board evaluation.
3. Post completion of the survey by the directors, the third party appointed compiled the results and shared the analysis with the NRC Chairperson and Chairperson of the Board.