Procter & Gamble Hygiene and Health Care Limited



whisper®



Old Spice®

50th

ANNUAL REPORT

2013 - 2014

P&G

BOARD OF DIRECTORS

Mr. R. A. Shah
Chairman

Mr. Shantanu Khosla
Managing Director

Mr. B. S. Mehta
Mr. A. K. Gupta
Mr. Pramod Agarwal
Ms. Sonali Dhawan
Mr. Shailyamanyu Singh

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Ms. Preeti Bishnoi
Company Secretary

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Dear Shareholders,

I am pleased to share with you that this Financial Year 2013-14 witnessed us deliver another year of sustained growth and strong results, behind a sharpened focus on winning with our consumer. It is this dedicated approach towards value creation that will drive the business for years to come. We will ensure the right mix of innovation, superior consumer propositions and operational excellence to drive year on year sustained growth. It is with this sustained commitment to touch and improve the lives of all our stakeholders that I stand before you with the recollections of yet another successful year.

Your Company's strong performance results for the Financial Year 2013-14, against a backdrop of economic uncertainty, are testament to our focus on winning with the consumer.

The Company's focus on innovation and productivity continued to sustain growth momentum by delivering total *Net Sales of ₹ 2,047 crores, up 22% versus year ago***.**

Profit After Tax (PAT) for the Financial Year stood at ₹ 302 crores, up 49% up versus year ago, driven by a sustained focus on productivity across all key cost buckets.

*We have exceeded a historic landmark in Sales of ₹ 2000 crores***.** Our Sales growth is driven by the strength of our Portfolio, superior innovation, pricing and mix.

The Feminine Hygiene business in India continued to deliver sustained growth. It delivered a robust sales growth of 24%, versus a year ago. The growth was broad based and helped us deliver record shares.

And as the business grows, we continue to improve more lives more completely with P&G's National Parivartan Programme (Whisper School Girl Programme) in schools. The program on an average reaches *3.5 million girls annually,* providing them with timely menstrual education and product samples. P&G's Whisper School Girl Program, over the past 2 decades, has protected millions of adolescent girls in India from getting trapped in traditional practices of using unhygienic cloth for sanitary protection.

Your Company's *Health Care business sales registered a growth of 11%, versus a year ago***.** Financial Year 2013-14 was an excellent year with *Vaporub* reached its highest ever Value share.

The launch of *Old Spice* is delivering in line with expectations. Strong sales were driven by improved distribution and brand building innovations like *Smell Mantastic* where we restaged the Brand character & created awareness about *Old Spice* 'Manly Mantastic' deodorants.

To 'touch and improve lives' is the vision that guides P&G and will continue to do so for generations to come. At P&G, we look at sustainability as a business driver, and focus on three key sustainability aspects – social responsibility, environmental sustainability and effective disaster relief efforts.

P&G's signature corporate sustainability program P&G Shiksha has till date built and supported over 330 schools across the country that will impact the lives of over 600,000 children, in partnership with a number of NGOs like – Army Wives Welfare Association, Navy Wives Welfare Association, Round Table India, Save the Children, amongst others.

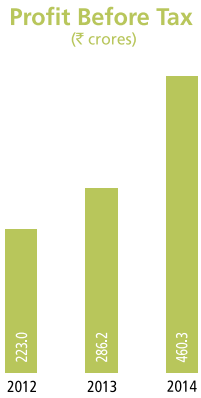
P&G, over the past year, continued its efforts to provide timely aid and relief to families affected by natural disasters. Over 15,800 families affected by the Uttarakhand Floods and the Odisha Cyclone, received relief aid in the form of hygiene kits comprising of P&G products as well as Children's Safe Drinking Water sachets.

In closing, I would like to re-iterate that as a Company, we are keenly focused on ensuring value creation and disruptive innovation for our investors and consumers, as we continue to drive operational discipline. P&G's dedicated pursuit of leading sustainable development initiatives has empowered us to truly make a meaningful impact on the lives of the communities around us. Lastly, I would also like to express my gratitude to all our consumers, customers, employees, business partners and YOU, our valued shareholders for your unwavering trust in the Company. I look forward to your sustained support and participation in the growth of your Company as we continue to touch and improve lives.

Mumbai
August 12, 2014

R. A. Shah
Chairman

REPORT OF THE DIRECTORS



Your Directors have the pleasure of presenting the 50th Annual Report and the Audited Accounts of the Company for the Financial Year ended June 30, 2014.

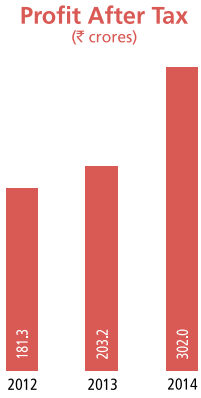
FINANCIAL RESULTS

(Figures in ₹ crores)

	2013/14	2012/13
Sales including Excise	**2063**	1697
Net Sales (less excise duty)	**2047**	1685
Profit before tax	**460**	286
Profit after tax	**302**	203
Proposed Dividend plus tax thereon	**104**	95
Transfer to General Reserve	**30**	20
Balance carried forward	**663**	495

DIVIDEND

The Directors are pleased to recommend a dividend of ₹ 27.5 for each Equity Share of ₹ 10 each for the Financial Year ended June 30, 2014.



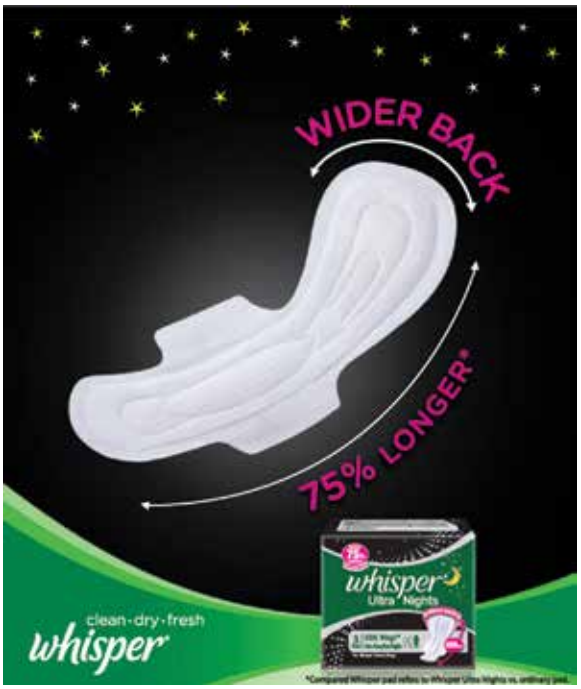
BUSINESS PERFORMANCE

Your Company delivered another year of strong performance in the Financial Year 2013-14, despite challenging economic conditions – particularly volatility in the Rupee and inflationary market conditions. By balancing the needs of the consumer, the customer and the Members, we are delighted to report very strong financial results for your Company. Your Company achieved a strong double-digit sales growth during the Financial Year 2013-14. Sales for the Financial Year increased by 22 per cent to ₹ 2,047 crores as against ₹ 1,685 crores during the previous year. Earnings after tax increased by 49 per cent to ₹ 302 crores as against ₹ 203 crores during the previous year.

Feminine Hygiene Business

Feminine Hygiene business recorded the 11th consecutive year of strong double-digit growth. This business has been a growth engine for your Company, with all the variants of *Whisper* sanitary napkins posting strong growth. *Whisper* further fortified its market leadership position by achieving it's highest-ever value share.

During the Financial Year under review, a number of strategic initiatives were designed to meet the consumers' needs across segments. The top-tier consumers were delighted by our longer length *Whisper Ultra* product, with the promise of all day long protection. On *Whisper Choice*, your Company continued its focus on driving increased usage of sanitary napkins particularly among non-users and increased availability. Continuing our relentless focus on superior products for our consumers, your Company also drove the "thin" product form within the existing mid-tier consumers and non-users in the form of *Whisper Choice Ultra*.



Your Company also continued its disproportionate focus on the Point of Market Entry consumer. The *Whisper School program* reached nearly 4 million menstruating girls across private and government schools, educating them about sanitary hygiene and its importance. Not only did the program reach out to more potential consumers, but it also increased its depth by reaching out to small towns.

Health Care Business

The Company's Health Care sales posted a double-digit growth again this Financial Year behind the strength of its strong portfolio, which includes *Vicks VapoRub, Vicks Cough Drops, Vicks Action 500* and *Vicks Inhaler*. The growth was driven by combination of product initiatives and increased investment behind proven equity advertising. *Vicks VapoRub* had a record year posting the highest ever market share. *Vicks Inhaler* business was the fastest growing in the *Vicks* franchise. *Vicks* will continue to innovate to ensure it stays the most trusted cough and cold care solution in India.

Overall, the Company continued to focus on driving consumer meaningful innovations backed by distribution expansion and strong advertising support thereby delivering consistent growth. Earnings have also benefited from focus on mix, pricing and productivity.



Cash generation continued to be strong arising from significant improvements in the business performance, efficiencies and cost savings across the organization and a continued efficient collection system. Your Company managed investments prudently by deployment of the surplus funds after ensuring that such investments satisfy the Company's criteria of safety and security.

Following the successful integration of *Old Spice* into your Company, Financial Year 2013-14 was a strong year for the brand, with business results exceeding management expectations. This was behind our strong marketing efforts and investments in advertising and distribution expansion. The marketing campaign has been successful in restaging the brand and has been recognized with multiple external awards over the past year.

We continue with our efforts to grow this brand behind strong innovation, including significant packaging upgrades as well as the launch of new outstanding fragrances.

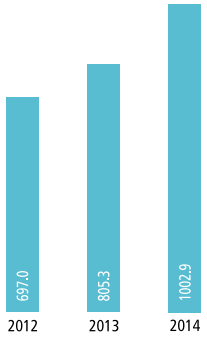
CORPORATE SOCIAL RESPONSIBILITY

Building business by improving lives

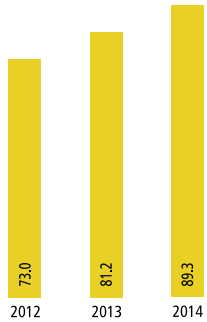
P&G's continued focus on purpose-inspired growth, drives us to not only serve our consumers with unique and superior product propositions, but also to touch and improve their lives by contributing towards the communities we operate in. This dedicated commitment is the driving force behind our Corporate Social Responsibility initiatives like *'P&G Shiksha'* and *'Project Parivartan'*.

Over the past decade, P&G's sustainability mantra ***'to touch and improve the lives of consumers, now and for generations to come'*** has inspired an enduring CSR strategy supported by three pillars – *P&G Shiksha, The Whisper*

Networth
(₹ crores)



Outflow of Dividend
(₹ crores)



Procter & Gamble Hygiene and Health Care Limited



School program (Education) & Project Parivartan (Transformation) and *Timely Disaster Relief*. While *P&G Shiksha* and *Project Parivartan* provide children from underprivileged backgrounds with access to basics like health and education, P&G's disaster relief activities aim to rehabilitate and empower the victims of natural disasters by providing them with daily essential commodities and safe drinking water.

P&G's *Project Parivartan* continued its efforts in providing essential menstrual health and hygiene education to girl children across the country. Over the past year alone, the program reached out to over 3.5 million girls in schools across the country.

P&G's signature corporate sustainability program *P&G Shiksha* has till date built and supported over 330 (+110 since last year) schools across the country that will impact the lives of over 600,000 (+180,000 since last year) children, in partnership with a number of NGOs like – Army Wives Welfare Association, Navy Wives Welfare Association, Round Table India, Save the Children, amongst others. These partners serve as specialists, lending their expertise to particular aspects of the education system. The NGO Round Table India for example is dedicated towards constructing educational infrastructure and supporting schools across India. The NGO Save the Children focuses on girl child's education by aiding government funded programs like the Kasturba Gandhi Balika Vidhyalayas. Similarly, the NGOs Army Wives Welfare Association and Navy Wives Welfare Association are experts in serving the educational needs of disabled children.



Since its commencement in 2005, *P&G Shiksha* has empowered consumers to contribute towards the education of underprivileged children by exercising conscious brand choices, which has enabled P&G to share a part of the sales towards this movement. *P&G Shiksha* has till date made a cumulative donation of over ₹ 32 crores towards building new schools, providing critical infrastructural amenities at existing schools or reviving non-operational government schools.

In the course of the past year, *Save the Children* in partnership with *P&G Shiksha* has expanded its impact. Six Kasturba Gandhi Balika Vidyalayas (KGBV) and fourteen primary and middle schools were supported through the provision of sports kits and laboratory equipment, which has enhanced the self-confidence and the learning abilities of the girl children. Additionally through this partnership, *Baal Sansads* and School Management Committees (SMCs) have also been strengthened through capacity building of its members, to monitor the activities of schools for ensuring quality education. These initiatives have thus resulted in a positive change in the overall environment of KGBVs, for example, teachers have started taking initiatives in practicing innovative pedagogical methods (such as promoting an effective use of the library facility, project work, story building as well as an overall better planning and execution of multi-level teaching).

P&G continues its association with a local school (adopted under the *P&G Shiksha* program) to promote the education of girl children in Mewat. The students are provided holistic support in the form of uniforms, library, meals, infrastructure, recreational activities & study tours. This year, the initiative received a prestigious recognition with the *Bhamashah* award by the Rajasthan Government for outstanding contribution in promoting education and creating a transformational change in the lives of young girl children. Similarly, at Goa, in association with Matruchhaya, a local public charitable trust, P&G is providing educational and infrastructural support

to a school for the orphaned, destitute and abandoned children. Going beyond the tangible, P&G has also lent assistance in organizing a *Fun Day* for the children with volunteers (employees and family members) which saw the donation of important amenities and equipment to the school. These activities under the *P&G Shiksha* program have exemplified its motto '**पढ़ेगा इंडिया तो बढ़ेगा इंडिया**', and have further strengthened our resolve of touching and improving lives.

The Baddi plant organized the *'World Environment Day'* event in Lodhimajra Village School in order to create awareness amongst school children on merits of a clean and healthy environment for the overall community.

Under the theme '**एक पेड़, एक जिंदगी**', and *"Best Out of Waste"*, the event brought together school children, who participated in poster design, slogan writing competitions and making of useful items from Waste Material which was meant to create awareness on the importance of a safe and healthy environment.

The Baddi plant additionally organized a *"Blood Donation Camp"* at the site in collaboration with the Rotary & Blood Bank Society Resource Centre, Chandigarh. This first time event was a huge success with 83 volunteers donating blood during the camp. The plant also organized a *"Health Check-up Camp"* at the Government High School Lodhimajra in order to create awareness and improve the personal health of the school students.



"Wall writing on Right To Education awareness at Bonua village under Sonua Block of West Singhbhum district"

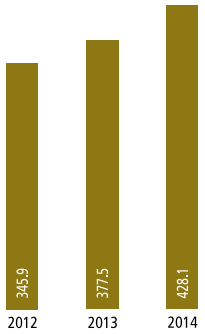
P&G, over the past year, continued its efforts to provide timely aid and relief to families affected by natural disasters. Over 15,800 families affected by the Uttarakhand Floods and the Odisha Cyclone, received relief aid in the form of hygiene kits comprising of P&G products including: Whisper, Tide, Pantene and Oral-B toothbrushes as well as Children's Safe Drinking Water sachets.

P&G's conscious commitment towards the pursuit of sustainable development programs has empowered us to truly make a substantial impact on the lives of the communities around us while simultaneously providing them with superior product propositions. This unequivocal principle has fueled our social responsibility programs aimed at improving lives and also lends inspiration to our efforts on environmental sustainability and economic accountability. At P&G, Corporate Social Responsibility has and will remain an important component of our ability to improve consumers' lives and to create value for our shareholders.

ENVIRONMENTAL SUSTAINABILITY

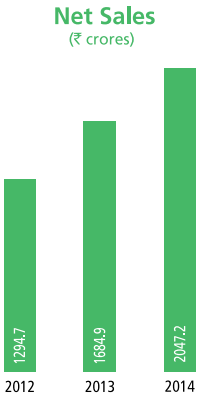
Environmental sustainability is embedded in our *Purpose, Values, Principles*, and our business. In order to improve lives, now and for generations to come, we ensure that our products, packaging and operations are safe for employees, consumers and the environment. We ensure this with a focus on technologies, processes and improvements that matter for the environment.

Fixed Assets
(₹ crores)



Net Current Assets
(₹ crores)





Our Company's Head Office at Mumbai reduced its annual energy consumption by over 37.9% over the last 10 years, saving over 2159 gigajoules of energy. In the last one year, our plant in Goa has reduced Diesel Generation Utilization by 19% for Plant Operations, resulting is reduction of Diesel consumption and reduced Carbon footprint by 40%.

At P&G, sustainability inspires and guides everything we do. Moreover, we ensure environmental friendly practices at our sites. These include reduction in power consumption, optimal water consumption and eliminating excess use of paper.

DIRECTORS' RESPONSIBILITY STATEMENT

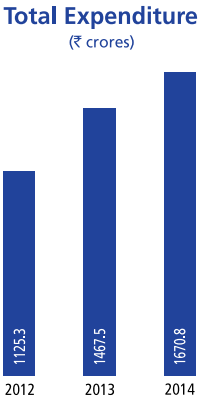
Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibilities Statement, it is hereby confirmed:

i. that in the preparation of the Annual Accounts for the Financial Year ended June 30, 2014, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of the Company for the Financial Year under review;

iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the Directors had prepared the accounts for the Financial Year ended June 30, 2014, on a "going concern" basis.



CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed to this Report.

MANAGEMENT & PERSONNEL

The Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations and therefore the human resources management function has assumed vital importance in the Company. The Company focuses on attracting, motivating and retaining the best talent. Its people systems like recruiting, training, performance management and talent development are robust and competitive. As we have been growing we are putting in place new HR programs to ensure that the organization is geared up to deliver the future.

The information as per Section 217(2A) of the Companies Act, 1956 ('Act'), read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any Member interested in obtaining a copy of the said statement may write to the Secretarial Department at the Registered Office of the Company.

DIRECTORS

Ms. Sonali Dhawan and Mr. Shailyamanyu Singh have been appointed as Additional Directors of the Company with effect from May 7, 2014 and March 15, 2014 respectively and hold office upto the date of the ensuing 50th Annual General Meeting of the Company. Notices

under Section 160 of the Companies Act, 2013 have been received from them proposing their respective candidatures as Directors of the Company, liable to retire by rotation.

Mr. Pramod Agarwal, Director, retires by rotation and, being eligible, offers himself for re-appointment.

In terms of Section 149 of the Companies Act, 2013, an Independent Director is required to be appointed for a tenure of five years at a time and shall not be liable to retire by rotation. Accordingly, Mr. R. A. Shah, Mr. B. S. Mehta and Mr. A. K. Gupta meet the criteria of independence and your Board recommends their appointment as Non-Executive Independent Directors for a period of five years with effect from September 24, 2014, not being liable to retire by rotation. Resolutions in this regard forms part of the Notice of the ensuing 50th Annual General Meeting.

The brief resumes of Directors proposed to be appointed/reappointed at the ensuing 50th Annual General Meeting and the details of the Directorships held by them in other companies are given in the "Corporate Governance" section of the Annual Report.

Appropriate resolutions for the appointment/ re-appointment of the aforesaid Directors are being moved at the ensuing 50th Annual General Meeting, which the Board recommends for your approval.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells LLP, Mumbai, Chartered Accountants (Firm Registration No. 117366W/W-100018) retire at the ensuing 50th Annual General Meeting. In terms of the Companies Act, 2013, they are eligible for appointment for three Financial Years and hence they offer themselves for re-appointment upto the conclusion of 53rd Annual General Meeting.

COST AUDITORS

Your Company has re-appointed M/s. Ashwin Solanki & Associates, Cost Accountants, to conduct the cost audit for the Financial Year 2014-15.

CONSERVATION OF ENERGY ETC. INFORMATION

The information, in accordance with the provisions of Section 217(i)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgoings, are attached as Annexure to this Report.

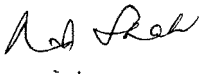
TRADE RELATIONS

The Directors wish to thank the Retailers, Wholesalers, Distributors, Suppliers of Goods & Services, Clearing and Forwarding Agents and all other business associates and acknowledge their efficiency and continued support in promoting such healthy growth in the Company's business.

ACKNOWLEDGEMENT

We are grateful to The Procter & Gamble Company USA and Procter & Gamble Asia Pte Limited Singapore for their invaluable support in terms of access to the latest information/knowledge in the field of Research & Development for products, ingredients and technologies; timely inputs to exceptional marketing strategies; and the goodwill of its world-renowned Trademarks and superior brands. We are proud to acknowledge this unstinted association that has vastly benefited the Company.

On behalf of the Board of Directors



Mumbai
August 12, 2014

R. A. Shah
Chairman

ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption		
Particulars	**2013-14**	2012-13
1. Electricity		
(a) Purchased:		
Units (KWH)	**11,81,19,656**	75,08,455
Total Amount (₹)	**6,27,32,013**	3,84,44,634
Rate/Unit (₹)	**5.5**	5.12
(b) Own Generation:		
(i) Through Diesel Generator		
Unit (KWH)	**18,78,047**	39,79,387
Unit Per lts. of Diesel Oil	**3.5**	3.3
Cost/Unit (₹)	**17.5**	13.8
(ii) Through Steam		
Turbine/Generator	**N.A.**	N.A.
2. Coal (Specify Quality and where used)	**N.A.**	N.A.
3. Furnace Oil	**N.A.**	N.A.
4. Others/Internal Generation	**N.A.**	N.A.

B. Consumption Per Unit of Production		(In KWH/Tonnes)
Particulars	**2013-14**	2012-13
Other Products	**1,673**	1,606

Note:

Since Company's operations involve low energy consumption, the Company has no comments to offer under para Assignment (a) to (c) of Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

I. RESEARCH & DEVELOPMENT:

1. Specific areas in which R&D carried out by the Company:

   During the Financial Year, the Company continued its Research and Development thrust for improvement of its existing products, process and import substitution. Research work is also being done for the development of new products.

2. Benefits derived as a result of the above R&D:

   R&D efforts have helped bringing about an improvement in processes and have resulted in cost reduction and import substitution.

3. Future Plan of Action:

   Emphasis will continue to be laid on the existing products and new products.

4. Expenditure on R&D:

₹ Lakhs

		2013-14	2012-13
(a)	Capital	**—**	—
(b)	Recurring	**160.26**	222.90
(c)	Total	**160.26**	222.90
(d)	Total R&D expenditure as a percentage of total turnover	**—**	—

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adaption and innovation: Continued implementation of Quality Control/Quality Assurance procedures of natural products, new products and processes were successfully adapted on commercial scale to utilize local, raw materials and machinery; Technical Services for reliability, quality, cost savings and technology transfer from overseas.
2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.: All the above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products and import substitution and successful absorption of technology.
3. Imported Technology: The Company has the advantage of availing advanced technology and continuous upgradation thereof from The Procter & Gamble Company, USA and its subsidiaries. This is an unmatched competitive advantage that helps the Company deliver strong business results.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The particulars of foreign exchange earned/ utilized during the Financial Year are given in Note Nos. 30 & 31 respectively forming part of the Financial Statements.

On behalf of the Board of Directors

Mumbai
August 12, 2014

R. A. Shah
Chairman