

# Directors' Report

Dear Members,

It is our pleasure to present to you the 29<sup>th</sup> Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended March 31, 2020. During the year under review, the name of your Company has been changed from 'Jyothy Laboratories Limited' to 'Jyothy Labs Limited' vide fresh Certificate of Incorporation dated July 11, 2019.

## FINANCIAL PERFORMANCE

Your Company's financial performance on standalone basis for the Financial Year ended March 31, 2020 compared with previous Financial Year is summarised below:

(₹ in Lacs)

| Financial results  | Financial Year ended March 31, 2020 | Financial Year ended March 31, 2019 |
|--|-------------------------------------|-------------------------------------|
| <b>Revenue from Operations</b>   | 1,66,537.94                         | 1,76,887.38                         |
| <b>Earnings before Interest, Tax, Depreciation and Amortization</b>                    | <b>24,982.90</b>                    | <b>28,578.40</b>                    |
| Finance Cost   | 2,477.88                            | 2,782.36                            |
| Other Income   | 2,004.76                            | 2,782.98                            |
| Depreciation on Tangible Assets  | 2,887.52                            | 2,702.56                            |
| Amortization of Intangible Assets  | 3,132.15                            | 3,126.04                            |
| Depreciation of right of use assets  | 1,553.45                            | -                                   |
| <b>Profit before exceptional item and tax</b>  | <b>16,936.66</b>                    | <b>22,750.42</b>                    |
| Exceptional items  | 377.83                              | -                                   |
| <b>Profit before tax</b>   | <b>16,558.83</b>                    | <b>22,750.42</b>                    |
| Provision for tax  |                                     |                                     |
| - Current tax  | 2,663.00                            | 4,690.64                            |
| - Deferred Tax Charge/ (Credit)  | (1,873.45)                          | (1,257.50)                          |
| <b>Profit after tax</b>  | <b>15,769.28</b>                    | <b>19,317.28</b>                    |
| Earning Per Share (Basic) (In ₹)   | 4.29                                | 5.29                                |
| Earning Per Share (Diluted) (In ₹)   | 4.29                                | 5.29                                |
| Dividend (including interim dividend of ₹ 3/-) Per Share of face value of ₹ 1/- (In ₹) | 3.00                                | 3.00                                |

The above mentioned financial performance highlights are an abstract of the Financial Statements of your Company for the Financial Year 2019-20. The detailed Financial Statements of your Company forms part of this Annual Report and are also uploaded on both new and old websites of your Company i.e. [www.jyothylabs.com](http://www.jyothylabs.com) and [www.jyothy laboratories.com](http://www.jyothy laboratories.com).

## PERFORMANCE HIGHLIGHTS

The Revenue from operations on standalone basis of your Company for the Financial Year 2019-20 was down by 5.85% and stood at ₹ 1,66,537.94 Lacs compared to ₹ 1,76,887.38 Lacs in the previous financial year. The net profit for the financial year 2019-20 amounted to ₹ 15,769.28 Lacs, registering a decrease of 18.37% over the previous year.

The consolidated revenue from operations of your Company for the year under review stood at ₹ 1,71,117.27 Lacs as against ₹ 1,81,357.66 Lacs in the previous year, reporting a negative growth of 5.65%. The consolidated profit after tax for the financial year under review stood at ₹ 16,258.14 Lacs against ₹ 19,759.84 Lacs in the previous financial year, decrease by 17.72% over the previous financial year.

## IMPACT ON BUSINESS OPERATIONS OF YOUR COMPANY ON ACCOUNT OF COVID-19 PANDEMIC

The sudden spread of Covid-19 pandemic and consequent Country wide lockdown since March 2020 has affected the world economy adversely and has also impacted temporarily your Company's manufacturing locations,

warehouses and distributor godowns and as also sales in the last fortnight of the Financial Year. To safeguard interest of the public at large from this epidemic, the Indian Government including various State Governments and Municipal Authorities have issued various advisory directives including restrictions on movement of public and other means of transport. In accordance with the directives of the Government and in order to ensure health and well-being of all employees, your Company's offices/ factories across India were shut down and Work from Home policy was brought in place for your Company's employees. While this adversely impacted the sales in the last fortnight of March 2020, your Company's product portfolio primarily comprises of Essential Hygiene goods which forms part of day to day household consumption sold from grocery chains. Since mid-April 2020, your Company has started resuming its operations in compliance with the directives issued by the Government authorities. In the short term, your Company has adequate resources to sustain the impact of Covid-19. Your Company does not foresee any material adverse impact in the medium to long term on its business.

While the operations were being run at reduced capacity, your Company took utmost precaution and implemented strict measures like ensuring social distancing, hygiene practices, transportation of workers and deep cleansing of premises to ensure the safety of its workers and staff at its manufacturing and supply chain locations. Your Company also took an initiative to supply its products to the Local Household Kirana and Grocery Stores with the help of e-passes issued by the State governments. Further, to enhance direct delivery to retailers, your Company also launched retailer app to facilitate orders directly from retail outlets. Also, your Company tried out newer ways of reaching the consumers by partnering with online delivery service providers and alternate distribution channels.

Your Company announced the launch of its Hand Sanitizer under the brand name "Margo". The launch comes after its recent foray into the hand wash segment under the same brand. Margo hand Sanitizer is alcohol based and is infused with Neem Extracts which gives 99.9% germ kill.

### DIVIDEND

Your Company had paid in March 2020, an interim dividend of ₹ 3/- (Rupees Three only) per equity share of ₹ 1/- each for the Financial Year 2019-20. The aforesaid interim dividend involved a total payout of ₹ 13,280.68 Lacs (inclusive of Dividend Distribution Tax of ₹ 2,264.42 Lacs). The said interim dividend payout was in accordance with your Company's Dividend Distribution Policy.

On March 24, 2020, the said interim dividend was paid electronically i.e. through RTGS/NEFT, etc. to the

shareholders whose bank account details were updated with your Company. However, due to the pandemic of COVID-19 and consequent lockdown in several States, your Company was not able to dispatch the physical interim dividend warrants 2019-20 to the concerned shareholders, on account of non-operation of Postal and Dispatch services. Your Company will dispatch the interim dividend warrants 2019-20 to the concerned shareholders immediately once the Postal and Dispatch services are fully operational.

In view of the interim dividend for the Financial Year 2019-20, your Board does not recommend Final Dividend for the Financial Year 2019-20.

During the previous financial year, your Company had paid a total dividend of ₹ 3/- (Rupees Three only) per equity share of ₹1/- each for the financial year 2018-19. The aforesaid dividend involved a total payout of ₹ 13,280.68 Lacs (inclusive of Dividend Distribution Tax of ₹ 2,264.42 Lacs).

### DIVIDEND DISTRIBUTION POLICY

The Board of Directors of your Company has approved and adopted a policy on Dividend Distribution formulated in accordance with Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and the dividend is recommended in accordance with the said policy.

The Dividend Distribution Policy is annexed to this report as "Annexure – A" and can be accessed from your Company's website at the link:

<http://www.jyothylaboratories.com/management-policies.php>

### ISSUE OF SHARES

#### a) Issue of Equity Shares with differential rights

During the year under review and to date, your Company has not issued any shares with differential rights, hence no information prescribed under provisions of Section 43(a)(ii) of the Companies Act, 2013 (the Act) read with Rule 4(4) of the Companies (Share Capital & Debentures) Rules, 2014 has been furnished.

#### b) Issue of Sweat Equity Shares

During the year under review and to date, your Company has not issued any sweat equity shares. Hence no information as per the provisions of Section 54(1)(d) of the Act read with Rule 8(13) of the Companies (Share Capital & Debentures) Rules, 2014 is furnished.

#### c) Issue of Employee Stock Option

During the year under review and to date, your Company has not issued any Employee Stock Option, hence no information is furnished.

## INCREASE IN SHARE CAPITAL

The Authorised Share Capital of your Company is ₹ 2,72,30,00,000/- consisting of: (a) 2,72,00,00,000 Equity Shares of the Face Value of ₹ 1/- each and (b) 30,000, 11% Cumulative Redeemable Preference Shares of the Face Value of ₹ 100/- each. The paid-up Equity Share Capital of your Company as on March 31, 2020 stood at ₹ 36,72,08,644/-. Further, as on March 31, 2020, none of the Directors of your Company holds instruments convertible into equity shares of your Company.

## DEBENTURES

During the Financial Year under review your Company did not issue any Debentures in terms of Section 42 of the Act read with Rule 14 of the Companies (Prospectus and Allotment) Rules, 2014 and no debentures were redeemed during the Financial Year 2019-20.

## EXTRACT OF ANNUAL RETURN

The Extract of Annual Return as prescribed under Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014 in prescribed Form MGT-9 is annexed to this report as "Annexure – B".

## NUMBER OF MEETINGS OF THE BOARD

Your Company's Board of Directors met 5 (five) times during the financial year ended March 31, 2020 in accordance with the provisions of the Act and Rules made thereunder. Also, the Board of Directors of your Company passed a resolution by circulation dated May 14, 2019 for change of the name of your Company.

The dates on which the Board of Directors met during the financial year under review are provided in the Corporate Governance Report.

## AUDIT COMMITTEE

The Audit Committee of your Company consists of all Independent Directors. The detailed composition of the Audit Committee is provided in the Corporate Governance Report. All the recommendations made by the Audit Committee were accepted by the Board.

## DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Act, in relation to the Audited Financial Statements of your Company for the financial year ended March 31, 2020, the Board of Directors hereby confirms that:

- a. in the preparation of the annual accounts for the financial year ended March 31, 2020, the applicable accounting standards read with the requirements set out under Schedule III to the Act have been followed and there were no material departures from the same;

- b. your Directors have 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 your Company as at March 31, 2020 and of the profit of your Company for the year ended on that date;
- c. your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- d. your Directors have prepared annual accounts of your Company on a going concern basis;
- e. your Directors have laid down internal financial controls to be followed by your Company and that such internal financial controls are adequate and are operating effectively; and
- f. your Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## PERFORMANCE EVALUATION

In accordance with the Act and Regulation 4(2)(f) of the Listing Regulations, your Company has framed a Policy for Evaluation of Performance of Independent Directors, Board, Committees and other Individual Directors which includes criteria for performance evaluation of Non-Executive Directors and Executive Directors. A questionnaire is formulated for evaluation of performance of the Board, its committees and individual Directors, after taking into consideration several aspects such as board composition, strategic orientation, board functioning and team dynamics. Based on the questionnaire prepared, an annual performance evaluation was carried out on May 7, 2019.

Performance evaluation of Independent Directors was conducted by the Board of Directors, excluding the Director being evaluated. The criteria for performance evaluation of Independent Directors laid down by the Nomination, Remuneration and Compensation Committee include ethics and values, knowledge and proficiency, diligence, behavioral traits, efforts for personal development and independence in decision making.

Similarly, performance evaluation of the Chairman and Non-Independent Directors was carried out by the Independent Directors. Your Directors also expressed their satisfaction with the evaluation process.

## TRAINING OF INDEPENDENT DIRECTORS

All Independent Directors are familiarized with your Company, their roles, rights and responsibilities in your

Company, nature of the industry in which your Company operates, business model, strategy, operations and functions of your Company through its Executive Directors and Senior Managerial Personnel. The details of programs for familiarization of Independent Directors with your Company are available on the website of your Company at the link: <http://www.jyothylaboratories.com/management-policies.php>

**DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. M. P. Ramachandran on May 7, 2019 placed his resignation as a Director before the Board of Directors of your Company and thereby he ceased to be the Chairman & Managing Director of your Company from the closing hours of March 31, 2020. Mr. M. P. Ramachandran is the driving force behind your Company's progress since its inception. With his vision and understanding of the customers' pulse, Mr. Ramachandran has led your Company emerging as a formidable player in the FMCG segment in India. Considering his vast experience and in the interest of your Company to avail his services and valuable knowledge from time to time in an advisory and mentoring role, your Board, based on recommendation of Nomination, Remuneration and Compensation Committee, requested Mr. M. P. Ramachandran to be the Chairman Emeritus of your Company with effect from April 1, 2020 and be permanent invitee to all the Board, Committee and Annual General Meetings to be held after the said date.

In view of Mr. Ramachandran's resignation as the Chairman & Managing Director and considering the qualification and experience of Ms. M. R. Jyothy in your Company and as a measure of the succession planning and based on the recommendation of the Nomination, Remuneration and Compensation Committee at their meeting held on May 7, 2019, Ms. M. R. Jyothy (DIN – 00571828) was appointed as the Managing Director of your Company for a period of 5 years commencing from April 1, 2020 to March 31, 2025 (both days inclusive). Appointment of Ms. M. R. Jyothy as the Managing Director of your Company was also approved by the members of your Company at its 28<sup>th</sup> Annual General Meeting held on July 23, 2019.

Further, based on the recommendation of the Nomination, Remuneration and Compensation Committee of your Company, the Board at its meeting held on May 7, 2019 approved the appointment of Ms. M. R. Deepthi (DIN – 01746698) as the Whole-time Director of your Company for a period of 5 years commencing from April 1, 2020 to March 31, 2025 (both days inclusive). The said appointment of Ms. M. R. Deepthi as the Whole Time Director of your Company was also approved by the members of your Company at its 28<sup>th</sup> Annual General Meeting held on July 23, 2019.

Mr. Ramakrishnan Lakshminarayanan, Independent Director (DIN – 00238887) of your Company has been appointed as the Chairman of the Board of Directors of your Company with effect from April 1, 2020, which has been approved by the Board of Directors of your Company based on the recommendation of the Nomination, Remuneration and Compensation Committee at their respective meetings held on May 7, 2019.

Further, in accordance with the provisions of Section 152 of the Act, Mr. K Ullas Kamath, Joint Managing Director (DIN – 00506681) of your Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**DECLARATION OF INDEPENDENT DIRECTORS**

Pursuant to Section 134(3)(d) of the Act, your Company confirms having received necessary declarations from all the Independent Directors under Section 149(7) of the Act and Regulation 25(8) of the Listing Regulations declaring that they meet the criteria of independence laid down under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. All the Independent Directors of your Company have complied with the provisions of sub-rule (1) and (2) of Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 by registering themselves under data bank of Independent Director for lifetime. Your Company has also formulated a Code of Conduct for Directors and Senior Management Personnel and has obtained declarations from all the Directors to the effect that they are in compliance with the Code.

**MEETING OF INDEPENDENT DIRECTORS**

Your Company's Independent Directors meet at least once in every financial year without the presence of the Executive Directors or Management Personnel of your Company and the Meeting is conducted informally. During the year under review, one meeting of Independent Directors was held on May 7, 2019.

**REMUNERATION POLICY**

Your Company follows the policy on Nomination and Remuneration/Compensation of Directors, Key Managerial Personnel and other Employees as approved by the Nomination, Remuneration and Compensation Committee and the Board of Directors of your Company and the same has been uploaded on your Company's website: <http://www.jyothylaboratories.com/management-policies.php>. Salient features of the said Policy is annexed to this report as "Annexure – C".

**INSTANCES OF FRAUD, IF ANY, REPORTED BY THE AUDITORS**

There have been no instances of any fraud reported by the Statutory Auditors under Section 143(12) of the Act.

## AUDITORS & AUDIT REPORTS

### Statutory Auditors and their Report

At the 26<sup>th</sup> Annual General Meeting held on July 11, 2017, M/s. B S R & Co. LLP, Chartered Accountants, (Firm Registration No.101248W/W-100022) were appointed as the Statutory Auditors of your Company to hold office for a term of 5 years commencing from the conclusion of 26<sup>th</sup> Annual General Meeting till the conclusion of 31<sup>st</sup> Annual General Meeting subject to ratification by Members in each Annual General Meeting. However, as per the Companies (Amendment) Act, 2017 provisions of Section 139 of the Act has been amended, wherein, the requirement of ratification of appointment of Statutory Auditors at every AGM has been done away with. Accordingly, appointment of M/s. B S R & Co. LLP, Chartered Accountants, (Firm Registration No.101248W/W-100022) as Statutory Auditors of your Company, will not be placed for ratification by the members in the ensuing Annual General Meeting.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification(s), reservation(s) or adverse remark(s).

### Secretarial Auditors and their Report

In terms of Section 204 of the Act, the Board of Directors of your Company on the recommendation of the Audit Committee have re-appointed M/s. Rathi & Associates, Practicing Company Secretaries, Mumbai as the Secretarial Auditors of your Company to carry out Secretarial Audit for the financial year 2020-21. Your Company has obtained Secretarial Audit Report for the Financial Year 2019-20 in the prescribed Form MR-3 from M/s. Rathi & Associates, Practicing Company Secretaries, which forms part of the Annual Report and is appended as "**Annexure – D**" to this Report. The report does not contain any qualification(s), reservation(s) or adverse remark(s) which calls for any explanation from your Board of Directors.

### Cost Auditors and their Report

As per Section 148 of the Act read with the Companies (Cost Records and Audits) Rules, 2014, as amended, the Board of Directors of your Company on recommendation of the Audit Committee have re-appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai (Registration No. 000010) as the Cost Auditors to carry out the cost audit of its products covered under the Ministry of Corporate Affairs Order dated June 30, 2014 (as amended on December 31, 2014) for the financial year 2020-21. The remuneration of Cost Auditors has been approved by the Board of Directors on the recommendation of the Audit Committee and the requisite resolution for ratification of

remuneration of Cost Auditors by the members has been set out in the Notice convening the 29<sup>th</sup> Annual General Meeting of your Company.

The re-appointment of M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai as the Cost Auditors of your Company is within the prescribed limits of the Act and free from any disqualifications specified thereunder. Your Company has received the Certificate from the Cost Auditors confirming their independence and relationship on arm's length basis.

The Cost Audit Report for the financial year ended March 31, 2019, issued by M/s. R. Nanabhoy & Co., Cost Auditors, in respect of the various products prescribed under Cost Audit Rules does not contain any qualification(s), reservation(s) or adverse remark(s) and the same was filed with the Ministry of Corporate Affairs on August 19, 2019. The Cost Audit Report for the financial year ended March 31, 2020 will be filed with the Ministry of Corporate Affairs within the prescribed statutory time limit.

## PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The details of Loans, Guarantees and Investments as prescribed under Section 186 of the Act are appended as "**Annexure – E**" and forms integral part of this report.

## RELATED PARTY TRANSACTIONS

Pursuant to Section 134 of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act, in the prescribed Form AOC-2 is appended as "**Annexure – F**" to this Report. During the year, your Company had entered into contract(s) / arrangement(s) / transaction(s) with related parties which were in ordinary course of business and on arm's length basis and none of which could be considered as material in accordance with the policy of your Company on materiality of related party transactions. Further, none of the contract(s) / arrangement(s) / transaction(s) with related parties required approval of members as the same were within the limits prescribed under Section 188(1) of the Act and Rules framed thereunder read with the provisions of Regulation 23(4) of the Listing Regulations.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed from your Company's website at the link:

<http://www.jyothylaboratories.com/management-policies.php>

Attention of Members is also drawn to Note 34 to the financial statements for the year ended March 31, 2020 which sets out the related party disclosures as per Indian Accounting Standard (Ind AS) 24.

**STATE OF THE COMPANY'S AFFAIRS (MANAGEMENT DISCUSSION AND ANALYSIS)**

In terms of the provisions of Regulation 34(2) of the Listing Regulations, the Management Discussion and Analysis Report of your Company's affairs for the year under review is attached and forms an integral part of this Annual Report.

**TRANSFER TO RESERVES**

Your Company did not transfer any sum to the General Reserve or to the Debenture Redemption Reserve for the Financial Year under review.

**MATERIAL CHANGES AND COMMITMENTS**

Except as disclosed elsewhere in this report, no material changes and commitments which could affect your Company's financial position have occurred between the end of the financial year 2019-20 and to the date of this report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 are annexed herewith as "Annexure - G" to this report.

**RISK MANAGEMENT**

The Board of Directors of your Company has constituted a Risk Management Committee which comprises of the following Directors/ Executives of your Company as Members of the Committee as on March 31, 2020:

1. Mr. M. P. Ramachandran, Chairman & Managing Director as Chairman;
2. Mr. K. Ullas Kamath, Joint Managing Director as Member;
3. Ms. M. R. Jyothy, Whole-time Director & Chief Marketing Officer as Member;
4. Mr. T. Ananth Rao, Head - Operations as Member; and
5. Mr. Ravi Razdan, Head - Systems & HR as Member.

The Board of Directors of your Company at its meeting held on March 12, 2020 appointed Ms. M. R. Deepthi as a Member of the Committee with effect from April 1, 2020 on account of cessation of Mr. M. P. Ramachandran as the Chairman & Managing Director of your Company.

The Risk Management Committee has been entrusted with the powers such as monitoring and reviewing of the risk management plans/policies; appointing various functionaries; deciding the role and responsibilities of various functionaries; evaluating risk including cyber risk

of your Company as a whole and also control measures/ security; such other powers as may be delegated by the Board of Directors from time to time. The Risk Management Committee of your Company met once during the Financial Year 2019-20 i.e. on January 22, 2020.

The Board of Directors of your Company has designed a Risk Management Policy in a structured manner taking into consideration the following factors and the same is being monitored on a periodic basis by your Company:

1. The Management Approach;
2. Vision & Mission;
3. Key Business Goals;
4. Risk Library; and
5. Risk Management Focus.

Also, the Management has adopted the following 5 step approach keeping in view your Company's Vision and Mission:

1. Identifying 'Key' Business goals;
2. Identifying the Risk Management focus;
3. Identifying Business risks;
4. Prioritizing the identified business risks; and
5. Rating the current risk management capability for identified risks.

Further, your Company has identified Key Business Goals for a five year horizon and a library of risk events which could be bottleneck in achieving the same. After defining the key business goals and the library of risk events, your Company identified the goals on which the management would focus.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company has been a firm believer that each and every individual including an artificial person owe something to the society at large. Mr. M. P. Ramachandran, Chairman & Managing Director of your Company even before the inception of Corporate Social Responsibility provisions under the Act has been involved in charitable and social activities in his individual capacity.

Your Company for the financial year 2019-20 was required to spend an amount of ₹ 386.62 Lacs (2% of the average net profits of last three financial years) towards Corporate Social Responsibility (CSR) activities. However, your Company for the financial year 2019-20 has spent ₹ 388.09 Lacs which was higher than the statutory requirement of 2% of the average net profits for the last three financial years.

The pandemic of COVID-19 has hit many States of our Country and in order to extend support to the Central and the State Government(s) to fight this epidemic and provide relief for COVID-19, your Company has come forward and contributed in aggregate a sum of

₹ 5,05,00,000/- (Rupees Five Crores and Five Lacs only) towards the Kerala CM Fund, Maharashtra CM Fund, Assam CM Fund, Uttarakhand CM Fund and the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund. In addition to the aforesaid contribution directly made by your Company, the senior executives of your Company have also contributed their one day's salary to the PM CARES Fund for this cause.

The Annual Report on CSR activities that includes details about CSR Policy developed and implemented by your Company and CSR initiatives taken during the financial year 2019-20 in accordance with Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as "**Annexure-H**" to this Report

Details about the CSR Policy adopted and formulated by your Company can be accessed from your Company's website at the link:

<http://www.jyothylaboratories.com/management-policies.php>.

### CHANGE IN NATURE OF BUSINESS

During the year under review, there was no change in the nature of business of your Company.

### PERFORMANCE OF SUBSIDIARIES, ASSOCIATE COMPANIES/ JOINT VENTURES

A statement containing the salient features of the financial statements of your Company's subsidiaries, Associates and Joint Venture Companies in the prescribed format AOC-1 is presented in separate section forming part of the financial statements and hence not repeated here in this Report for the sake of brevity. Policy for determining material subsidiaries, formulated and adopted by your Company can be accessed from your Company's website at the link: <http://www.jyothylaboratories.com/management-policies.php>

No company has become or ceased to be your Company's subsidiary, Joint venture or associate company during the financial year 2019-20.

From the end of the Financial Year up to the date of this Report, Jyothy Fabricare Services Limited, Subsidiary of your Company, has filed an application before the National Company Law Tribunal, Mumbai Bench, for seeking their approval to the proposed amalgamation of its two Wholly Owned Subsidiaries viz. Snoways Launderers & Drycleaners Private Limited (First Transferor Company) and Four Seasons Drycleaning Services Private Limited (Second Transferor Company) with Jyothy Fabricare Services Limited (Transferee Company) along with the Scheme of Amalgamation. The Board of Directors of Jyothy Fabricare Services Limited has fixed April 1, 2019 as the Appointed Date for the purpose of amalgamation.

### FIXED DEPOSITS

Your Company did not accept/renew any fixed deposits from public and no fixed deposits were outstanding or remained unclaimed as on March 31, 2020.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by any Regulator/Court that would impact the going concern status of your Company and its future operations.

### INTERNAL FINANCIAL CONTROLS

The Internal Financial Controls adopted and followed by your Company are adequate and are operating effectively. Your Company has adopted a dynamic Internal Financial Controls framework based on the best practices followed in the industry. Under the said framework, Risk and Control Matrix are defined for the following process(es):-

1. Fixed Assets;
2. Financial Statement Closing Process;
3. Information Technology;
4. Inventory Management;
5. Marketing and Advertising;
6. Payroll;
7. Production Process;
8. Taxation; and
9. Treasury.

M/s. MGB Business Advisors Private Limited have been entrusted with the responsibility of testing the controls identified and implemented by your Company for all the aforesaid processes.

During the year under review, no material or serious observations have been received from the Internal Auditors of your Company regarding inefficiency or inadequacy of such controls.

### CONSOLIDATED ACCOUNTS

The consolidated financial statements of your Company are prepared in accordance with the relevant Indian Accounting Standards issued by the Central Government under Section 133 of the Act and forms integral part of the Annual Report.

### CORPORATE GOVERNANCE

The report on Corporate Governance as stipulated under Regulation 34(3) read with Schedule V of the Listing Regulations together with the Certificate received from M/s. Rathi & Associates, Practicing Company Secretaries, confirming compliance of Corporate Governance requirements is attached and forms an integral part of this Report.

## BUSINESS RESPONSIBILITY REPORT

The Securities and Exchange Board of India (SEBI), vide amendment to Regulation 34(2)(f) of the Listing Regulations on December 22, 2015, had extended the applicability of Business Responsibility Reports to top 500 listed companies based on market capitalization. Your Company being one of the top 500 listed Companies is required to report on Business Responsibility. Accordingly, the report on Business Responsibility forms an integral part of this report.

## COMPLIANCE WITH SECRETARIAL STANDARDS

During the year under review, your Company has complied with the Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.

## REMUNERATION/ COMMISSION FROM ANY OF ITS SUBSIDIARIES

During the year under review, neither the Managing Directors nor the Whole-time Director of your Company received any remuneration or commission from any of its subsidiaries.

## EMPLOYEE STOCK OPTION SCHEME (ESOS)

During the financial year under review, no options were granted, vested or exercised and hence, the disclosure as required under Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014 and Regulation 14 of the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 is not required to be furnished. Accordingly, your Company is also not required to obtain certificate from the Statutory Auditors in respect of implementation of erstwhile Jyothy Laboratories Employee Stock Option Scheme 2014-A and erstwhile Jyothy Laboratories Employee Stock Option Scheme 2014 for the Financial Year 2019-20.

The relevant details for the previous financial years are available on your Company's website at the links: [www.jyothylabs.com](http://www.jyothylabs.com) and [www.jyothylaboratories.com](http://www.jyothylaboratories.com).

## VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Your Company has a Vigil Mechanism in place which includes a Whistle Blower Policy in terms of the Listing Regulations for Directors and Employees of your Company to provide a mechanism which ensures adequate safeguards to Employees and Directors from any victimization on raising of concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any financial statements and reports etc.

The Vigil Mechanism/Whistle Blower Policy of your Company can be accessed from your Company's website at the link: <http://www.jyothylaboratories.com/management-policies.php>.

Your Company has put in place a mechanism in consonance with the requirements of Section 177 of the Act and Regulation 18(3) of the Listing Regulations for the Directors, employees and other stakeholders to report genuine concerns about unethical behavior, actual or suspected fraud or violation of the Code of Conduct or policy framed by your Company. All Protected Disclosures can be reported by the Whistle Blower in writing or through call on a toll free number i.e. 18601232120 or Hotline number i.e. 022-66892804 or alternatively, the same can also be sent through email on [whistleblower@jyothy.com](mailto:whistleblower@jyothy.com) with the subject "Protected disclosure under the Whistle Blower Policy".

The Whistle Blowers have a right/option to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Codes of Conduct or policy directly to the Chairman of the Audit Committee. During the year under review, no protected disclosure from any Whistle Blower was received by the designated officer under the Vigil Mechanism.

## INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control systems and procedures in place for effective and smooth conduct of business and to meet exigencies of operation and growth. Your Company has set up Standard Operating Process (SOP), procedures and controls apart from regular Internal Audits. Roles and responsibilities have been laid down for each process owners. Management Information System has been established which ensure that adequate and accurate information is available for reporting and decision making.

Internal Audit is conducted by an independent firm of Chartered Accountants viz. M/s. Mahajan & Aibara Chartered Accountants, LLP. Internal Auditors regularly check the adequacy of the system, their observations are reviewed by the management and remedial measures, as necessary, are taken. Internal Auditors report directly to the Chairman of the Audit Committee to maintain its objectivity and independence.

Your Company has also implemented a Compliance Tool software mechanism viz. "Legatrix" designed by Legasis Services Privates Limited which ensures compliance with the provisions of all applicable laws to your Company adequately and effectively.

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

### Transfer of Equity Shares:

Pursuant to the provisions of Section 124(6) of the Act and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund)



Rules, 2016 notified by the Ministry of Corporate Affairs on September 7, 2016 and subsequently amended vide notification dated February 28, 2017, all the equity shares of the Company in respect of which dividend amounts have not been paid or claimed by the shareholders for seven consecutive years or more are required to be transferred to demat account of the Investor Education and Protection Fund Authority (IEPF Account).

Accordingly, 3,449 shares of 75 members of your Company were transferred to Demat Account of IEPF Authority on October 12, 2019. Your Company had sent individual notice to all the aforesaid 75 members and has also published the notice in the leading English and Marathi newspapers. The details of the aforesaid 75 members are available on both new and old websites of your Company i.e. [www.jyothy labs.com](http://www.jyothy labs.com) and [www.jyothy laboratories.com](http://www.jyothy laboratories.com).

#### Transfer of Unpaid/Unclaimed Dividend:

Further, pursuant to the provisions of Section 124(5) of the Act, the dividend which remained unclaimed/ unpaid for a period of seven years from the date of transfer to unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

As a result, the unclaimed/ unpaid dividend for the year 2011-12 which remained unpaid and unclaimed for a period of 7 years has been already transferred by your Company to the IEPF.

Your Company has uploaded the details of unclaimed/ unpaid dividend for the financial year 2011-12 onwards on its website viz., [www.jyothy labs.com](http://www.jyothy labs.com) and [www.jyothy laboratories.com](http://www.jyothy laboratories.com) and on website of the Ministry of Corporate Affairs viz., [www.mca.gov.in](http://www.mca.gov.in) and the same gets revised/ updated from time to time pursuant to the provisions of IEPF (Uploading of Information Regarding Unpaid and Unclaimed Amount Lying with Companies) Rules, 2012.

Further, the unpaid dividend amount pertaining to the financial year 2012-13 and interim dividend for the financial year 2013-14 will be transferred to IEPF during the Financial Year 2020-21.

#### EMPLOYEE RELATIONS

Your Company has always provided a congenial atmosphere for work to all its employees that is free

from discrimination and harassment. Employee relations remained cordial during the year under review.

#### MANUFACTURING FACILITIES

Your Company has state-of-the-art facilities at all of its manufacturing locations spread across India. Furthermore, six manufacturing plants of your Company situated at Roorkee, Wayanad, Jammu, Pithampur, Puducherry and Baddi are ISO 9001-2015 certified.

#### PREVENTION OF SEXUAL HARASSMENT

Your Company has framed 'Anti – Sexual Harassment Policy' at workplace and has constituted an Internal Complaints Committee (ICC) as per the requirement of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder. No complaints with allegations of any sexual harassment were reported during the year under review.

#### PARTICULARS OF EMPLOYEES

The disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended and forming part of the Directors' Report for the year ended March 31, 2020 is annexed herewith as "Annexure – I" to this Report.

#### CAUTIONARY NOTE

Certain statements in the "Management Discussion and Analysis" section may be 'forward-looking'. Such 'forward looking' statements are subject to risks and uncertainties and therefore actual results could be different from what your Directors envisage in terms of future performance and outlook.

#### ACKNOWLEDGEMENT

Your Directors express their sincere appreciation for the contribution and commitment of the employees of your Company at all levels and for the excellent support provided by the members, customers, distributors, suppliers, bankers, media and other Stakeholders, during the financial year under review. Your Company looks forward to continued and unstinted support in its endeavor to make lives of consumers better by providing world class products at affordable price.

**For and on behalf of the Board of Directors  
For Jyothy Labs Limited  
(Formerly known as Jyothy Laboratories Limited)**

Sd/-

**M. R. Jyothy**

Managing Director  
(DIN: 00571828)

Sd/-

**K. Ullas Kamath**

Joint Managing Director  
(DIN: 00506681)

Place : Mumbai

Date : June 5, 2020