



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

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 Dhingra, 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 Dhingra 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.



4. The Chairperson of the Board then individually discussed the results and shared feedback with all Directors.
5. The NRC Chairperson discussed the results & shared the feedback with the Chairperson of the Board.
6. Based on the report of performance evaluation, it was determined whether to extend or continue the term of appointment of the Independent Directors.

Criteria for Appointment of Directors:

The success of the Board of Directors depends on the composition, structure, resources, diligence, and authority of the entire Board, as well as its working relationships with other participants of corporate governance, including management. Your Company is committed to corporate governance best practices.

Key Responsibilities:

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

- Represent organization's shareholders' interests and create value for them.
- Align the interests of management with those of shareholders while protecting the interests of other stakeholders (customers, creditors, suppliers).
- Oversee the Company's performance by setting objectives, establishing short-term and long-term strategies to achieve these objectives.
- Provide counsel to the Company's senior executives on material strategic decisions and risk management. Establish or approve strategic plans and decisions to achieve these goals.
- Oversee the sustainability of the Company in creating long-term shareholder value and protecting interests of other stakeholders.

Pre-requisites for consideration:

- The candidate to acknowledge that she/he has sufficient time to effectively discharge her/his duties.
- The candidate should have skill sets and expertise area which is complementary to the current Board. The Board assesses the needs of the current Board to ensure that there is a range of skills, experience and diversity represented, including an understanding of:
 - o The industry and markets in which the Company operates.
 - o Accounting, finance and legal matters
 - o Other key areas of business operations
- The candidate should have experience and depth of knowledge in her/his area of work to contribute meaningfully to the operations of the Board
- There should be no conflict of interest between the candidate and the Company. The individual should not be in relation to any current employee of the Company and should not be holding more than 2% of the Company's shares at the time or during the appointment.
- The candidate should not be employed or related to another organization/body which can directly/indirectly influence the operations of the Company or is in direct competition with the Company.
- The Candidate has not been convicted of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of sentence.

Remuneration Policy

Remuneration Policy for Non-Executive Directors

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

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

The remuneration structure for the Non-Executive Directors comprises of annual Commission and sitting fees for attending meetings.

Remuneration Policy for Employees

Philosophy

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

Principles

- Competitive – Your Company provides competitive rewards in line with GSK global best practices.
- Differentiated - Your Company differentiates reward to attract and retain skilled employees; reward the greatest contributors and recognize employees who evolve their skills to enhance their individual contribution to GSK's success
- Alignment - Your Company's reward programs and practices are transparent and focus on ensuring alignment at several levels
- Business alignment - Your Company's reward program considers the common and business-specific skill/ performance requirements across various business units.
- Country alignment - Reward aims at meeting the needs of the diverse workforce and enabling them to live your Company's mission - to do more, feel better and live longer.
- Individual alignment - Individual objectives are set and reviewed annually to ensure employees have a clear understanding of the link between the business value they deliver and their own performance-based reward.

The remuneration policy is also available under investor relations section at www.gsk-ch.in

Managerial Remuneration

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

Your Company has 3,844 permanent workers, including workmen. The remuneration for the workmen at two of the factories is governed by Long Term Wage Settlement (LTWS) which is done in consultation with the unions. For the remaining employees, the targeted salary increase was 10% for all employees including KMP.

The remuneration comparison of these to that of median employee is mentioned below:

Name	Designation	Remuneration for the year ended March 31, 2019 (Rs.)*	Remuneration for the year ended March 31, 2018 (Rs.)*	Salary Change	Ratio of Salary to Median Employee Salary
Navneet Saluja ¹	Managing Director	111,305,833	33,747,105	NC**	147
Vivek Anand	Director – Finance	41,302,586	30,361,631	36%	55
Anup Dhingra	Director – Operations	64,784,069	48,326,878	34%	86
Shanu Saksena	Company Secretary & Area Ethics and Compliance Officer	15,551,874	11,174,000	39%	21

*Remuneration is calculated on accrual basis.

**Not Comparable.

¹ Appointed in the role with effect from January 01, 2018, salary increase & ratio to median salary not comparable.



Your Company believes that by means of the variable pay plan the Company can link a portion of compensation to the individual and business performance, as applicable, which creates a strong positive reinforcement. It also ensures that the employees of the Company are rewarded only when the shareholders' goals are met.

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

Name	Designation	Remuneration of KMP as a percentage of Revenue	Remuneration of KMP as a percentage of PBT
Navneet Saluja	Managing Director	0.23%	0.74%
Vivek Anand	Director – Finance	0.09%	0.27%
Anup Dhingra	Director – Operation	0.14%	0.43%
Shanu Saksena	Company Secretary & Area Ethics and Compliance Officer	0.03%	0.10%
		0.49%	1.54%

Total KMP Remuneration as a percentage of Revenue: 0.49%
Total KMP Remuneration as a percentage of PBT: 1.54%

Your Company believes in balancing the competitiveness of pay as well as sustainability of the associated costs for the organization. The salary increases for this year were aimed at maintaining the pay competitiveness with market as well as performance of your Company.

Policy on Board Diversity

As stated in the policy for appointment of Directors, your Company recognizes that the success of the Board of Directors depends on the composition, structure, resources, diligence, and authority of the entire board, as well as their working relationships with other participants of corporate governance, including management. GSK is committed to build a truly diverse board which brings with its diversity of expertise, skills, regional and industry experience, gender and demographics. GSK believes that such a Board will enhance the quality of decisions by utilizing the diversity of its members.

The Nomination and Remuneration Committee (NRC) is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy board positions. At the time of appointment, the candidate must bring with him/her skill sets and expertise area which is complementary to the current Board composition. The Board will have an optimum combination of Executive, Non-executive and Independent Directors with at least one women director in compliance with all statutory provisions. The Board of Directors shall maintain an appropriate mix of diversity, skill, experience and expertise on the Board.

The NRC and the Board of Directors shall refer to this Policy on Board Diversity at the time of appointment of persons as a Board Member.

Particulars of Employees

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rules, 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company will be provided to members upon request in writing made before the Annual General Meeting where in Financial Statements for the relevant fiscal year are proposed to be adopted. In terms of Section 136 of the Act, the copy of the Annual Report is being sent to the Members and others entitled thereto and is also available for inspection by the Members at the Registered Office of the Company

during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

The Annual Report of your Company is also available on your Company's website- www.gsk-ch.in.

Particulars of Loans, Guarantee, Investment U/S 186

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

Details of Board Meetings

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

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

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

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

Auditors

Messrs Deloitte Haskins & Sells LLP will continue to hold the position as the statutory auditors till next year.

Secretarial Audit

Pursuant to provisions of Section 204 of the Companies Act, 2013, the Secretarial Audit Report and Compliance Report is annexed herewith as Annexure II to this Report duly certified by S.N. Ananthasubramanian & Co., a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company.

Composition of Audit Committee

Please refer corporate governance report for composition of audit committee.

Risk Management Policy

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

Vigil Mechanism for Directors and Employees of Company

The detailed policy for Vigil Mechanism and Whistle blower is available at www.gsk-ch.in

Extract of Annual Report

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

Related Party Transaction

Disclosures as required under Form AOC 2 are contained in Note 28 to the Financial Statements. There are no transactions, which are not at arm's length and all the Related Party transactions are at arm's length basis.

The detailed policy for Related Party Transactions is available at www.gsk-ch.in

Fixed Deposits

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

Information on Company's Share Performance

The market capitalisation of your Company increased by 19% (Rs 3,03,30,50 lakhs) Vs March 31, 2018 (Rs 2,56,33,27 lakhs). The EPS



stands at Rs. 233.69 vs Rs.166.47 as on closing date of last fiscal year. The PE ratio as on March 29, 2019 (last trading day) was at 30.9 vs 36.6 as on last trading day of fiscal year 2018-19.

Environment and Social Commitment

Your Company is on a mission “to help people to do more, feel better, live longer”. Your Company has revamped its CSR programme and launched its “Mission Health” programme which is aligned with United Nations’ (UN) Sustainable Development Goals (SDG) and Government of India’s National Health Policy. Mission Health is a national movement, which is in line with the Company’s philosophy and goals to address the need of the country, engaging with key stakeholders and linking brands with purpose, cause and focus.

Mission Health programme is implemented in 8 states viz Bihar, UP, MP, Karnataka, AP, Haryana, Punjab and Assam where Nutrition & WASH (“water, sanitation and hygiene”) programme is being implemented in 408 anganwadi centres and 265 government schools, reaching out to 2,35,000 beneficiaries.

The Mission Health programme is planned to focus on thematic areas of micronutrient deficiency, tackling dengue and eradicating lymphatic Filariasis (elephantiasis).

Your Company has spent 2% of the average net profit of last three fiscal years as part of your CSR in the reporting period.

Your Company undertakes these activities in the following different ways:

- a) Nutrition: Your Company has started three key programs to address the nation’s issue of malnutrition with strategic partners. Following are the programs initiated during the reporting period:
 - Mid-day meal program for 50,000 children with The Akshaya Patra Foundation in Karnataka
 - Mass outreach through schools and anganwadi centres, on nutrition, in Karnataka; Madhya Pradesh; Uttar Pradesh; and Bihar
 - Improve awareness about malnutrition with NGO Sakshi for 200 children in Haryana
- b) Skill development: Your Company has an ongoing program with Confederation of Indian Industry focussing on Capacity building of FBOs including Mid-Day Meal Organisers, Self Help Groups, Mass and Railways Catering, Food Storage Locations on how to prepare, produce and serve Safe Food.
- c) Water Sanitation & Hygiene programme (WASH): In partnership with Save the Children, SHARP and Sakshi, your Company is implementing the WASH programme in Haryana, Punjab and AP to create awareness on sanitation and hygiene among communities. This programme will link with Government of India’s Swachh Bharat Mission.
- d) Healthcare: Your Company supported the GSK Global program for eradicating Lymphatic Filariasis (elephantiasis) & deworming through Albendazole donation to World Health Organization (WHO).
- e) Allied against Dengue: This programme is being implemented in 5 districts of UP by WISH Foundation. Programme is in line with National Vector Control Programme and focuses on continuous medical education for Doctors & Pharmacists and community awareness on prevention and management of Dengue.

For other details regarding CSR, please refer Annexure IV to Directors’ report.

Significant Material Orders Passed by the Court/ Regulator/ Tribunal Impacting Going Concern Status and Company’s Operations in Future

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

There are no significant legal /arbitral proceedings against your Company. All such matters are being brought to the notice of the Audit Committee / Board.

Director’s Responsibility Statement

To the best of their knowledge and belief and according to the information and explanation obtained, your Directors make the following statement in terms of Section 134 (3) (c) and 134(5) of the Companies Act, 2013 for the year ended March 31, 2019:

- a) The Financial Statements of the Company for the period ended March 31, 2019, have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standard) Rules, 2015 (as amended)] and other relevant provisions of the Act. There have been no material departures in the adoption and application of these accounting standards.
- b) All Financial Statements have been prepared on historical cost convention, as a going concern and on the accrual basis.
- c) The estimates and judgements relating to Financial Statements have been made on a prudent and reasonable basis to ensure that the Financial Statements reflect, in a true and fair manner, the form and substance of the transactions and reasonably present the Company’s state of affairs and profits for the year.
- d) The Directors of the Company have taken care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- e) The Company has established and maintained adequate internal controls including financial controls over financial reporting and these controls are operating effectively.
- f) Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

Declaration of Independent Directors

Pursuant to Sections 149(6) & 149(7) of Companies Act, 2013, the Independent Directors of your Company have given a declaration that they have complied with the criteria of independence as set out under sub section (6) of Section 149 of the Companies Act, 2013.

Strategic Business Development

GlaxoSmithKline plc initiated a strategic review of the nutrition portfolio in March 2018. After conducting a strategic review of the nutrition portfolio, in December 2018, it announced the sale of Horlicks and other consumer nutrition brands to Unilever. As part of this transaction, it announced that it will merge your Company with Hindustan Unilever Limited. The proposed merger includes a distribution arrangement, which will allow Hindustan Unilever Limited to leverage its scale and strong reach to sell and distribute the OTC and oral health brands of GSK. The transaction is expected to be completed by the end of 2019, subject to the fulfilment of certain conditions, regulatory approvals and the approval of the merger by the shareholders of your Company and Hindustan Unilever Limited

Cautionary Statement

Statements in this report, particularly those that the assertion pertain to the Management Discussion and Analysis section may contain that might be considered forward looking. The actual operating results may differ materially from those indicated in these statements as important factors could influence your Company’s operations such as Government policies, local, political and economic developments, risks inherent to the Company’s growth and such other factors.

Acknowledgements

Directors wish to extend their thanks and appreciation to all the employees of the Company at all levels, agents and other business associates for their commitment, dedication and respective contributions to the Company’s operations during the year under review.



Directors would also like to acknowledge the valuable guidance, technical assistance and advice being received from the Associate Company in the U.K. Your Directors look forward to the future with confidence.

For and on behalf of the Board

P. Dwarakanath
(DIN: 00231713)
Chairman

Navneet Saluja
(DIN: 002183350)
Managing Director

Vivek Anand
(DIN: 06891864)
Director

Kunal Kashyap
(DIN: 00231891)
Director

Place : Gurugram
Dated : May 10, 2019

Annexure I to the Directors' Report for the year ended March 31, 2019

Regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

(A) Conservation of Energy –

(i) The steps taken or impact on conservation of energy;

As in the past, your Company continues to stress upon conservation measures and optimizing the utilization of energy in all the areas of operations with effective usage of sources/equipment.

With your Company's continues efforts towards a clean & sustainable environment, many energy conservation initiatives were taken during the year 2018-19 & a few significant ones are summarised below:

- All the sites have increased the usage of Agri-waste bio-mass (briquettes/pellets) for steam generation. This has offset 65 KT of CO₂ emissions by end of financial year 2018-19 thus significantly reducing carbon foot print in generating steam and reinforces your resolve towards a clean and sustainable environment.
- The steam system's have been improved to reduce steam consumption.
- Replacement of water-ring vacuum pump with dry vacuum pump (oil lubricated).
- Your Company continued its initiative of installations of Electronically commuted (EC) direct drive fans in Ventilation systems and Air Handling Units and installed the same which will reduce the energy consumption overall.
- Your Company continued its initiative of installations balance requirement of LED lights identified & implemented.
- Site effluent treatment plant (ETP) upgradation was done by replacing surface aeration with diffused aeration to save energy.
- Temperature controlled flow rate regulation implemented to reduce energy consumption.
- Segregation of low pressure (LP) & high pressure (HP) compressed air lines to reduce energy consumption.

(ii) The step taken by your Company for utilising alternate sources of energy

- Usage of biodiesel instead of HSD in boiler.

(iii) The capital investment on energy conservation equipments;

- Your Company constructed a biomass based combined heat and power plant at one of sites, to reduce CO₂ emission substantially during the year and installation of 800KW solar PV plant. Your Company has spent close to INR 10 crores on various energy conservation equipment and initiatives last year.

(iv) Total energy consumption and energy consumption per unit of production as per Form "A" of the Annexure in respect of industries specified in Schedule there to:

FORM "A"

	Year ended March 31, 2019	Year ended March 31, 2018
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Units (in Lacs)	443.94	439.67
Total amount (Rs. Lacs)	3,396.96	3,367.27
Rate/Unit (Rs.)	7.65	7.66
b) Own Generation		
1) DG Sets Units (in Lacs)	30.79	34.55
Units per litre of Diesel oil	3.55	3.49
Cost/Unit (Rs.)	18.52	15.85
2) Turbine Units (in Lacs)	45.18	7.31
2. Coal Used in Boilers		
Quality (Calorific value ranging between 2500 to 3500 BTU) Quantity (Tonnes)*	12,336.37	18,366.84
Total Cost (Rs. Lacs)	837.63	1,085.13
Average Rate (Rs.)	6,789.95	5,908.08
3. Bio-mass used in Boilers		
Quality (Tonnes)	50,601.05	38,177.45
Total Cost (Rs. Lacs)	2,657.53	1,962.34
Average Rate (Rs.)	5,251.92	5,140.05

*Includes coal consumed to produce steam for generating electricity from turbine

B. Consumption per unit of production

	Year Ended March 31, 2019		Year Ended March 31, 2018	
	Coal/ Bio-mass	Power	Coal/ Bio-mass	Power
	MT	Units	MT	Units
1. Malt based Food/ Energy and Protein health Food/ Cereal based Food/ Powdered Milk (Per Ton)	0.36	339	0.60	515
2. Ghee & Butter (Per Ton)	0.55	123	0.55	123

(B) Technology Absorption –

- (i) The efforts made towards technology absorption;
- Continued efforts to replace water-ring vacuum pump with dry vacuum pump.
- (ii) In case of imported technology (imported during the last three years reckoned from the beginning of the fiscal year)-
- (a) The details of technology imported;
 - Energy efficient electronically commutated (EC) fan
 - Dry Vacuum Pumps
 - (b) The year of import;
 - 2016 & 2018
 - 2016 & 2017 & 2018
 - (c) Whether the technology been fully absorbed;
 - Yes
 - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof;
 - NA