



**Procter & Gamble Hygiene  
and Health Care Limited**  
CIN: L24239MH1964PLC012971  
Registered Office:  
P&G Plaza  
Cardinal Gracias Road, Chakala  
Andheri (E), Mumbai 400 099  
Tel: (91-22) 2826 6000  
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December 5, 2018

To  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block  
Bandra Kurla Complex,  
Bandra (East), Mumbai - 400051

**Ref:- Scrip Code:- PGHH**

Dear Sir/Madam,

**Sub: Annual Report of Procter & Gamble Hygiene and Health Care Limited for the Financial  
Year ended June 30, 2018**

We refer to our letter dated September 28, 2018, informing the date of 54<sup>th</sup> Annual General Meeting and pursuant to that our Annual General Meeting held on November 29, 2018. In this respect, please find enclosed Annual Report of Procter & Gamble Hygiene and Health Care Limited for the Financial Year ended June 30, 2018.

Kindly take the above on record and oblige.

Thanking you,

Yours faithfully,  
**For Procter & Gamble Hygiene and Health Care Limited**

  
**Flavia Machado**  
Company Secretary

**P&G**

**Procter & Gamble**

Hygiene and Health Care Limited



*whisper*®

**ANNUAL REPORT  
2017-2018**

## CONTENTS

Chairman's Letter .....	3
Managing Director's Letter.....	4-5
Report of the Directors .....	6-30
Management Discussion & Analysis.....	31-32
Corporate Governance .....	33-45
Auditors' Report .....	46-51
Balance Sheet .....	52
Statement of Profit & Loss .....	53
Cash Flow Statement .....	54-55
Statement of Changes in Equity.....	56
Notes forming part of the Financial Statements .....	57-98
Ten Year Financial Highlights .....	99



## Corporate Information

### Board of Directors & Key Managerial Personnel

Mr. Rajendra A. Shah	Chairman
Mr. Madhusudan Gopalan	Managing Director
Mr. Bansidhar S. Mehta	Director
Mr. Anil Kumar Gupta	Director
Mr. Pramod Agarwal	Director
Mr. Karthik Natarajan	Director
Ms. Sonali Dhawan	Director
Mr. Shaillyamanyu Singh Rathore	Director
Mr. Prashant Bhatnagar	Chief Financial Officer
Ms. Flavia Machado	Company Secretary

#### Registered Office:

##### Procter & Gamble Hygiene and Health Care Limited

(CIN: L24239MH1964PLC012971)

P&G Plaza, Cardinal Gracias Road, Chakala,  
Andheri (East), Mumbai – 400 099

Tel. No.: (022) 2826 6000 (Extn: 7468)

Email Id: investorpghh.im@pg.com

#### Registrar & Share Transfer Agents:

##### Link Intime India Private Limited

C-101, 247 Park,  
L.B.S. Marg, Vikhroli (West),  
Mumbai – 400 083

Tel. No.: (022) 4918 6279

Fax: (022) 4918 6060

e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

#### Auditors:

##### Statutory Auditor:

Kalyaniwalla & Mistry LLP  
Chartered Accountants

##### Cost Auditor:

Ashwin Solanki & Associates  
Cost Accountants

##### Secretarial Auditor:

Dholakia & Associates LLP  
Company Secretaries

#### Listed on Stock Exchanges:

National Stock Exchange of India Limited  
BSE Limited







**Mr. R. A. Shah**  
*Chairman*

Mr. Shah is a leading solicitor and a senior partner of Crawford Bayley & Co., a firm of solicitors and advocates. He specializes in broad spectrum of corporate laws. He is a Director on the Boards of several prominent companies in India.



**Mr. Madhusudan Gopalan**  
*Managing Director*

Mr. Madhusudan Gopalan is an alumnus of IIM Calcutta who joined P&G in 1999. He has more than 18 years of experience working across business units and diverse geographies like India, US and ASEAN countries. Prior to this role, he was leading the P&G business in Indonesia where he led strong sales growth, share turn around, strong value creation and cash productivity.



**Mr. B. S. Mehta**  
*Chairman*

Mr. Mehta is a graduate in commerce and a Fellow Member of The Institute of Chartered Accountants of India. He is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a Director on the Boards of several prominent companies in India.



**Mr. A. K. Gupta**  
*Director*

Mr. Gupta is an engineer from IIT New Delhi. He also holds a PG Diploma in Industrial Management from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has a vast experience of over 40 years in India and abroad in the field of Manufacturing, Projects and Supply Chain Management.



**Mr. Pramod Agarwal**  
*Director*

Mr. Agarwal is an MBA from Indian Institute of Management, Ahmedabad. After over 28 years of experience with P&G, he retired in 2016. He has worked in seven geographies - India, Thailand, Japan, Philippines, USA, Singapore and Switzerland. Mr. Agarwal has led several major changes which have had a lasting impact on the business and organization.



**Mr. Karthik Natarajan**  
*Director*

Mr. Natarajan is a Chartered Accountant and has completed his Bachelor of Commerce from RA Podar College, Mumbai. Mr. Natarajan has been with P&G for over 18 years and is currently the Director, Finance & Accounting, India, Middle East & Africa. He has, over his experience at P&G, worked across multiple locations including India, US, China, Philippines and Singapore.



**Mr. Shailymanyu Singh Rathore**  
*Director*

Mr. Rathore graduated in Law from Maharishi Dayanand University, Rohtak, and completed his Masters of Law from Bond University, Australia. He is a fellow member of the Center for American and International Law, Texas. Mr. Rathore has been associated with Procter & Gamble for last nine years and has held various positions in legal department in Singapore and India.



**Ms. Sonali Dhawan**  
*Director*

Ms. Dhawan is a graduate from Lady Shriram College, with a B.Com (Hons) in Business Studies. She completed her MBA in marketing from the Indian Institute of Management, Ahmedabad. She has been awarded as 'Marketer of the Year FMCG' by IAA awards in 2014 and had been rated twice as Number 7 in the IMPACT 50 most influential women in Marketing and Advertising.



**Mr. R. A. Shah, Chairman**

Dear Shareholders,

It gives me great pleasure to share with you the performance of your Company for the Financial Year 2017-18. During the Financial Year, the industry witnessed a transformation in the business environment with the rollout of the Goods and Services Tax (GST). The introduction of GST led to a uniform and integrated tax system across the country creating 'One Market' that benefits both consumers and businesses. While GST is a landmark reform, its implementation posed several short-term challenges to the industry creating a subdued trade sentiment. Your Company navigated through this macroeconomic shift with agility. This is reflected in our strong performance during the Financial Year. We delivered Sales of ₹ 2,455 crores up by 10% versus a year ago on a comparable\* basis and recorded a Profit After Tax (PAT) of ₹ 375 crores. Our continued focus on strengthening business fundamentals and improving productivity enabled us to achieve sustainable growth during this challenging period.

The overall outlook for the FMCG industry continues to remain positive. We are witnessing trends like increased disposable income, increased consumer spending, growing youth population and increased rural consumption

which will fuel the growth of the FMCG sector in years to come. In this dynamic environment, your Company will continue to focus on sustainable balanced growth and create shareholder value.

Your Company strives to improve the lives of millions around us not just through our products but also through our citizenship efforts. As one of the world's largest consumer Company, we have a responsibility and an opportunity to make a difference. Our aspiration is to be a positive force for good and for growth across each area of our Citizenship work – Community Impact, Gender Equality and Environment Sustainability.

In the area of community impact, our focus is to bring about a change through two main initiatives – our flagship CSR program: *P&G Shiksha* and *timely disaster relief*. Through *P&G Shiksha*, we have supported over 1800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children. In addition to our focus on infrastructure, over the recent years, we have also identified and supported innovative learning to improve the learning outcomes like remedial learning and computer-based adaptive learning.

On the environmental sustainability front, we're making good progress as we are already on our way to achieving several goals that we set for 2020. Looking ahead, we have established broad-reaching Ambition 2030 goals aimed at enabling positive impacts on the environment while creating value for consumers and shareholders.

Lastly, I would also like to express my gratitude to all our consumers, customers, employees, business partners and YOU, our valued shareholders for your support and participation in the growth of your Company. We are keenly focused on creating value for our stakeholders. We will continue to innovate and bring superior products to consumers and sustainably grow the business.

**R. A. Shah  
Chairman**

\* Sales excluding GST/excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.

Dear Shareholders,

It gives me great pleasure to share with you the overall performance of your Company in Financial Year 2017-18. It was a challenging year for the industry with market volatility and economic uncertainty. In a dynamic business environment, our ability to adapt to changes with agility enabled us to deliver sustainable growth. We continued to raise the bar across everything we do to continue to accelerate our sales growth further, improve productivity and empower our organization and culture to deliver sustained balanced growth.

Your Company delivered Sales of ₹ 2,455 crores, up 10% versus year ago on comparable\* basis and recorded a Profit After Tax (PAT) of ₹ 375 crores. This growth was a result of strong brand fundamentals, strength of the portfolio and improved in-store execution.



**Mr. Madhusudan Gopalan**  
*Managing Director*

In the Feminine Care business, *Whisper* continues to be the market leader behind new product launches, diverse product portfolio and superior consumer communication. We forayed into the emerging 'Comfort & Soft' segment with *Ultra Softs* launch also winning external recognition 'Product of the Year Award – 2018' in sanitary napkins category.

*Whisper* continued to be the force for good through its marketing campaigns like *#SitImproper* and *#WhisperBreaksSilence* winning the hearts of millions of consumers and brought numerous external recognition including 'Best Media Campaign - Gender Parity' at Indian Digital Marketing Awards, 2018. Through our *Whisper* School program, we actively supported 40,000 schools educate about 4.5 million adolescent girls annually on the importance of menstrual hygiene.

In the Health Care business, we posted strong sales growth driven by a combination of strategies aimed at winning with consumers and establishing new categories. During the Financial Year we launched *Vicks BabyRub*, specially developed for babies and gentle on their skin. We continued to grow our share in the Cough & Cold category with off take growing strong double-digit behind the strength of our equity and our portfolio, which includes *Vicks VapoRub*, *Vicks Cough Drops*, *Vicks Action 500 Advanced*, *Vicks Inhaler* and *Vicks BabyRub*.

Overall, we continued to focus on driving consumer meaningful innovations backed by distribution expansion and strong advertising thereby delivering consistent growth.

\* Sales excluding GST/excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.

As a responsible corporate citizen, we want to be a force for good and a force for growth. This is not just through our brands but also through initiatives that bring about a positive change in the communities we operate in. Through our flagship CSR program *P&G Shiksha*, we have supported over 1,800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children. Over the recent years, we have identified and supported innovative learning to improve the learning outcomes. Two years ago, *P&G Shiksha* entered into a partnership with Education Initiatives (EI) and Government of Rajasthan to implement *Mindspark*, a computer based adaptive learning solution that integrates pedagogy, teacher instruction and a learning management system to help students learn better. We were happy to see that post the intervention, the learning levels among students using *Mindspark* improved two-fold compared to the control group.

The FMCG sector continues to be one of the largest sectors contributing to the Indian economy. As the Indian economy stabilizes, we will continue to focus on balanced growth behind brand fundamentals, strength of product portfolio and improved in-store execution.

**Madhusudan Gopalan**  
**Managing Director**



## REPORT OF THE DIRECTORS

Your Directors have the pleasure of presenting the 54<sup>th</sup> Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2018.

### FINANCIAL RESULTS

(₹ in crores)

	2017-18	2016-17
Revenue from operations	2455	2419
Profit before tax	582	672
Profit after tax	375	433

### FINANCIAL YEAR

Your Company continues to follow its Financial Year as July 1<sup>st</sup> to June 30<sup>th</sup>, pursuant to the approval received from the Company Law Board in terms of Section 2 (41) of the Companies Act, 2013.

### DIVIDEND

The Directors are pleased to recommend a final dividend of ₹ 40/- for each Equity Share for the Financial Year ended June 30, 2018.

### BUSINESS PERFORMANCE

Your Company delivered another year of steady balanced performance in a tough external environment.

Your Company delivered Sales of ₹ 2,455 crores, up 10% versus year ago on comparable\* basis. Reported sales were up 1% versus year ago due to treatment of indirect taxes

\* Comparable sales is sales excluding GST / Excise duties on sales further adjusted for other tax costs subsumed under GST and excluded from sales in the base.

post Goods and Service Tax (GST). The Profit After Tax (PAT) was ₹ 375 crores, down 13% versus year ago largely behind increased investments on product innovations and advertising. We continue to focus on growth behind brand fundamentals, strength of product portfolio and improved in-store execution.

### Hygiene Business

In the Feminine Care business, *Whisper* continues to be the market leader. During the Financial Year, your Company continued to make strong progress in growing more users on sanitary napkins, particularly among non-users in their early teen years via clutter breaking 'Check Check' campaign and continued focus on the 'Point of Market' entry consumer via school programme. This was reflected in acceleration of *Whisper* penetration among teens which was significantly ahead of category penetration growth. We also strengthened value proposition on our longer length offerings in *Choice* line up as consumers shift towards longer length pads for a better protection experience. We also continued to drive depth and breadth of our portfolio via sharply defined go-to-market plans taking category to more stores.

Your Company's strategic foray in emerging 'Comfort & Soft' segment with *Ultra Softs* demonstrated strong sales growth and also won 'Product of the Year Award-2018' in sanitary napkins category. We built on the success of *Whisper* portfolio expansion by extending it from 'Period protection' to overall 'Feminine wellness' via *Whisper* daily liners





launch in top channels. *Whisper* continued to be the 'force for good' reflected in our marketing campaigns like #SitImproper and #WhisperBreaksSilence winning the hearts of millions of consumers which also brought numerous external awards including 'Best Media Campaign – Gender Parity' at Indian Digital Marketing Awards, 2018.

*Old Spice* continued to have a challenging Financial Year 2017-18 driven by sales decline. There is a conscious business choice to hold back investments on *Old Spice* until there is a winning proposition in a category that is highly dynamic and competitive.



## Health Care Business

Your Company's Health Care sales posted strong growth this Financial Year. Your Company continued to grow share in the *Cough & Cold* category (excluding Cough Syrup) with offtake growing strong double-digit behind the strength of our equities and our portfolio, which includes *Vicks VapoRub*, *Vicks Cough Drops*, *Vicks Action 500 Advanced*, *Vicks Inhaler* and *Vicks BabyRub* – our new launch in Financial Year 2017-18. The growth was driven by a combination of plans to win with consumers, winning versus competition and winning in whitespaces with the launch of *BabyRub*.



*Vicks Rubs* grew penetration behind our Category Development Index program for the second year in a row continuing to grow share in the Financial Year 2017-18. *Vicks Cough Drops* offtake grew strong with share gain in the cough lozenges category in a year of competitive launches.

Overall, your Company continued to focus on driving consumer meaningful innovations backed by distribution expansion and strong advertising thereby delivering consistent growth.





*“The only way to build a sustainable business is to improve lives”*



## CORPORATE SOCIAL RESPONSIBILITY ('CSR')

### The only way to build a sustainable business is to improve lives



For your Company, sustainability means making every day better for people through how we innovate and how we act. As a responsible corporate citizen, we have built sustainability into the way we operate and grow our brands to conserve natural resources and make a difference to communities across the world. This strategy has inspired an enduring CSR strategy supported by two pillars – *P&G Shiksha* and *Timely Disaster Relief*. While *P&G Shiksha* provides children from underprivileged backgrounds with an access to a holistic education, your Company'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.

Through your Company's signature corporate sustainability program *P&G Shiksha*, till date we have supported over 1800 (+300 since last year) schools across the country that will impact the lives of over 1.4 million (+200,000 since last year) children, in partnership with a number of NGOs/ organizations like — *Round Table India (RTI)*, *Pratham*, *Education Initiatives*, amongst others. These partners serve as specialists, lending their expertise to particular aspects of the education system. For example, the NGO RTI is dedicated towards constructing educational infrastructure and supporting schools across India. *Pratham* has special expertise in remedial learning to help bring children up to speed with the learning levels in their curriculum. *Education Initiatives* focuses on computer assisted learning software to improve the learning outcomes in children. *Education Initiatives* has expertise in computer assisted learning software to improve learning levels among children.

Since its commencement in 2005, *P&G Shiksha* has also empowered consumers to contribute towards

the education of underprivileged children by making conscious brand choices. This has enabled your Company to share a part of the sales towards this movement. *P&G Shiksha* has till date made a cumulative donation of over ₹ 80 crores towards building new schools, providing critical infrastructural amenities at existing schools or reviving non-operational government schools.

A key area of our intervention is *Remedial Learning* and *Early Childhood Education*. We have partnered with *Pratham Education Foundation* to improve the learning outcomes and bridge the existing gap between current and existing learning levels. The results on remedial learning were phenomenal; we reached out to more than 670 schools and over 24,000 children; and saw the learning levels in the children rise at the end of the year following our interventions. Before the intervention, around 20% children in these schools who were able to read and write as per their curriculum level, which increased to around 70% after our intervention. Similarly, there was more than a two-fold increase in the percentage of children who were able to do basic arithmetic after our intervention.

Your Company also identified '*Early Childhood Education*' as a key opportunity area in the educational landscape of the country. The program builds capability of *Anganwadi* workers in order to develop motor and cognitive skills in children so that they are set for a fast-paced growth once they start going to school. We conducted the program in Bihar, Uttar Pradesh, Rajasthan and Delhi through *Pratham's* partnership with the Government (ICDS), to impact early childhood learning in *Anganwadi* centers to strengthen school readiness in children. At the end of the year, to assess their level of development, children were asked to do several tasks like matching shapes, ability to trace shapes to recognize number, ability to tell their name

and family background. The results were overwhelming, 85% children in the intervention groups had competent motor skills (ability to draw, hold a pencil, colour within a shape, join dots etc.) versus 42% in the comparison groups. Similarly, cognitive competence of the children in intervention groups was more than two-fold than that of comparison groups. Through this program, we reached out to more than 1100 units impacting around 33,000 children.

Your Company continued to impact the communities around its plants in a holistic manner throughout the Financial Year. At Goa, in association with *Matruchhaya*, a local public charitable trust, your Company is providing educational and infrastructural support to a school for the orphaned, destitute and abandoned children.

Two years ago, *P&G Shiksha* forayed into impacting learning levels via digital learning. Your Company entered into a partnership with *Education Initiatives (EI)* and Government of Rajasthan to implement *Mindspark*, a computer based adaptive learning solution that integrates pedagogy, teacher instruction and a learning management system to help students learn better. The tool analyses the learning levels of the students in language and mathematics by presenting them with questions in increasing level of difficulty. On answering incorrectly, the student is provided a simple or detailed explanation, or be redirected to questions that strengthen the basic understanding. The program was implemented in 30 government schools in Rajasthan where over 6700 students spent over 10,000 hours learning using *Mindspark*. Post the intervention, the learning levels among students using *Mindspark* improved two-fold compared to the control group. The tool also provides teachers with information on the progress and learning levels of students which is used for effective classroom management and instruction.

We are encouraged by the results on our new areas of focus in 2017-18 and *P&G Shiksha* is all set to build on and strengthen its efforts in 2018-19. Since the government has highlighted 'quality of education' as one of the key focus areas for country's growth in the next decade, your Company is well poised to play an active role in the India Success Story.

Your Company has constituted a Corporate Social Responsibility Committee. The composition and terms of reference of the Corporate Social Responsibility Committee are provided in the Corporate Governance section annexed to this report.

Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as Annexure I to this Report.

## ENVIRONMENTAL SUSTAINABILITY AND CONSERVATION OF ENERGY

Environmental sustainability is embedded in our *Purpose, Values, Principles*, and our business. We are committed to improving lives, now and for generations to come by ensuring that our products, packaging and operations are safe for employees, consumers and the environment. We ensure by focusing on technologies, processes and improvements that matter for the environment.

Your Company's Head Office at Mumbai reduced its annual energy consumption by over 23.5% over the last 15 years. The Goa plant is a 'zero waste to landfill' site which means that there is no manufacturing discharge into the environment. In the last 5 years, the Goa plant has reduced its carbon emission by 17.5%. During this period, the plant has also improved on both energy and water consumption at 78.9%. The plant is also leveraging technology, experts, employees and renewable sources of energy to reduce our overall footprint and make our operations more sustainable.



For your Company, sustainability inspires and guides everything. Moreover, we ensure environment friendly practices at our sites. These include a reduction in power consumption, optimal water consumption and eliminating excess use of paper.

## TECHNOLOGY ABSORPTION

### i. Efforts made towards technology absorption:

- Usage of low pressure compressors at the Plants; and
- Continued implementation of quality control / quality assurance procedures of 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.

### ii. Benefits derived like product improvement, cost reduction, product development or import substitution:

- Usage of low pressure compressors resulted in cost reduction and saved electricity consumption; and
- The above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products, import substitution and successful absorption of technology.

### iii. Imported technology:

Your 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.

### iv. Expenditure on Research & Development

Your Company has not incurred any expenditure on research and development during the Financial Year.

## FOREIGN EXCHANGE EARNINGS & OUTGO

The details of foreign exchange earnings and outgo as required under Section 134 of the Companies Act, 2013 and Rule 8(3) of Companies (Accounts) Rules, 2014 are mentioned below:

₹ in Lakhs

	For the Financial year ended June 30, 2018	For the Financial year ended June 30, 2017
Foreign Exchange earnings	2,635	5,538
Foreign Exchange outgo	55,999	46,777

## RELATED PARTY TRANSACTIONS

Your Company has formulated a policy on related party transactions which is also available on Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml/](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml/). This policy deals with the review and approval of related party transactions. All related party transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and at arm's length. All related party transactions are subjected to independent review by external chartered accountancy firm to confirm compliance with the requirements under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

No material related party transactions were entered during the Financial Year by your Company. All related party transactions entered during the Financial Year were in ordinary course of the business and on arm's length basis. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable to your Company.

## LOANS AND GUARANTEES GIVEN AND INVESTMENTS MADE DURING THE FINANCIAL YEAR 2017-18

Details of loans given by your Company under Section 186 of the Companies Act, 2013 during the Financial Year 2017-18 are as follows:

Name of Entity	Relation	Amount (₹ In Crores)	Purpose for which the loans are proposed to be utilized
Procter & Gamble Home Products Private Limited	Fellow Subsidiary	90.00	General business purpose

Your Company has not given any guarantees or made any investments during the Financial Year 2017-18.

### PUBLIC DEPOSITS

Your Company has not accepted any Public Deposits under Chapter V of the Companies Act, 2013, during the Financial Year.

### PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Rules made thereunder, your Company has constituted Internal Complaints Committees (ICC). During the Financial Year, no complaints with allegations of sexual harassment were filed with the Company.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Sections 134 (3) (c) of the Companies Act, 2013, with respect to the Directors' Responsibilities Statement, it is hereby confirmed:

- that in the preparation of the Annual Accounts for the Financial Year ended June 30, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;

- 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, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors had prepared the accounts for the Financial Year ended June 30, 2018, on a "going concern" basis;
- that the Directors had laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and were operating effectively; and
- that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### BUSINESS RESPONSIBILITY REPORT

A separate report on Business Responsibility has been appended as Annexure II to this Report.

### CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is provided under the Corporate Governance section of this Annual Report.

### MANAGEMENT & PERSONNEL

The strength of business over the past few years and resilience in this particular year due to multiple economic headwinds in the country demonstrates the core strengths of our employees to stay reality based and influence the

course of business. Financial Year 2017-18 was a year of overall strong growth in many categories. Our productivity continues to be the best-in-class with major progress in Leadership and Talent Development.

The statement of Disclosure of Remuneration under Section 197 of the Companies Act, 2013 and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is appended as Annexure III to the Report.

The information as per Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report. As per the provisions of first proviso to Section 136 (1) of the Companies Act, 2013 the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the Financial Year, Mr. Al Rajwani ceased to be the Director and Managing Director of the Company effective June 30, 2018, consequent to his retirement after 37 years of service with the P&G group. Subsequently, Mr. Madhusudan Gopalan was appointed as Director and Managing Director of the Company effective July 1, 2018.

Mr. Ishan Sonthalia ceased to be the Company Secretary and Compliance Officer of the Company effective March 31, 2018. Ms. Flavia Machado has been appointed as the Company Secretary and Compliance Officer of the Company effective September 18, 2018.

Mr. Shailymanyu Singh Rathore and Ms. Sonali Dhawan, Directors retiring by rotation and being eligible, offer themselves for re-appointment at the ensuing 54<sup>th</sup> Annual General Meeting of the Company.

Brief resumes of Directors proposed to be reappointed at the ensuing 54<sup>th</sup> Annual General Meeting and the details of the Directorships held by them in other companies are provided under the Corporate Governance section of the Annual Report.

Appropriate resolutions for the re-appointment of the aforesaid Directors are being moved at the ensuing 54<sup>th</sup> Annual General Meeting, which the Board recommends for your approval.

The Independent Directors of your Company have given Certificate of Independence to your Company stating that they meet the criteria of Independence as mentioned under Section 149 (6) of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The details of training and familiarization programme and Annual Board Evaluation process for Directors have been provided under the Corporate Governance section of the Annual Report.

## AUDITORS

Kalyaniwalla & Mistry LLP were appointed as Statutory Auditors of your Company at the previous 53<sup>rd</sup> Annual General Meeting held on November 16, 2017 for a term of five consecutive years.

The Report given by the Statutory Auditors on the financial statements of the Company for Financial Year ended June 30, 2018 is part of the Annual Report. There has been no qualification, reservation or adverse remark given by the Auditors in their Report.

## COST AUDITORS

Ashwin Solanki & Associates, Cost Accountants carried out the cost audit for applicable business during the Financial Year 2017-18. The Board of Directors has appointed Ashwin Solanki & Associates, Cost Accountants for the Financial Year 2018-19.

## POLICIES

Your Company has adopted policies on related party transactions, corporate social responsibility, vigil mechanism, nomination and remuneration, materiality of events and dividend distribution policy, which are available on the website of the Company at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml/](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml/).

The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director, and remuneration for Key Managerial Personnel has been appended as Annexure IV to this Report. The dividend distribution policy has been appended as Annexure V to this Report.

The details of the policies are provided in the Corporate Governance Section annexed to this Annual Report.

## SECRETARIAL AUDIT

Secretarial Audit was carried out by Dholakia & Associates LLP, Company Secretaries for the Financial Year 2017-18. There were no qualifications, reservation or adverse remarks given by Secretarial Auditors of the Company. The Secretarial Audit report has been appended as Annexure VI to this Report.

## SECRETARIAL STANDARDS

During the Financial Year, your Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

## EXTRACT OF ANNUAL RETURN

The extract of annual return in Form MGT 9 as required under Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/annual\\_return.shtml/](http://www.pg.com/en_IN/invest/pghh/corporate_governance/annual_return.shtml/)

## 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 your Company's business.

## ACKNOWLEDGEMENT

We are grateful to The Procter & Gamble Company USA and its subsidiaries 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 22, 2018**

**R. A. Shah**  
**Chairman**

## ANNEXURE I

### Annual Report on Corporate Social Responsibility [Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014]

#### 1. Brief outline of the Company's CSR policy

Doing the right thing is the foundation of P&G's Purpose, Values, and Principles. It is naturally woven into the way we work every day — paying competitive wages, working consistently with our retailers and suppliers, preventing conflicts of interest, ensuring consumer privacy and maintaining financial stewardship. This approach to business is at the heart of all we do at P&G. Doing the right thing also includes investing in the communities in which we live, work, and serve. At its core, P&G's Social Responsibility efforts aim to improve lives.

The Companies Act, 2013 ("the Act") highlights the importance of Corporate Social Responsibility ("CSR") as a strategic tool for sustainable growth of the people, the communities we operate in and the Company as a whole. In line with the global principles followed by the P&G group and the terms of the Act, the CSR policy is broadly framed taking into account the following:

1. We believe it is essential to run our business responsibly, and our operating practices reflect this commitment.
2. P&G is focused on making every day better for people and the planet through our innovations and our actions;
  - i) Environment by – Conservation of Resources, Using Renewable Resources, Generating Worth from Waste;
  - ii) Social by – providing the comforts of home, improving health and hygiene of people, social and cultural development, imparting education, training and social awareness.

The Corporate Social Responsibility activities to be undertaken by the Company, include, but are not limited to the following:

- a. Social and cultural development by:
  - Imparting education, training (vocational and skill based) and creating social awareness;
  - Awareness programs on girl education;
  - Empowerment of women for education / health & self-employment;

- Empowerment of differentially abled children and their self-development;
- Skill development and generation of employment by locally driven initiatives;
- Promoting preventive health care and sanitation by providing health and hygiene products;
- Making available safe drinking water;
- Promoting sports and cultural activities;
- Creating awareness and development of infrastructure for sports and cultural activities;
- Measures for the benefit of armed forces veterans, war widows and their dependents; and
- Relief and support to victims of natural calamities in any part of the Country.

#### b. Ensuring Environmental Sustainability by:

- Conservation of resources by design and manufacture of products that maximize the conservation of resources;
- Utilization of renewable energy and renewable or recycled materials; and
- Generating Worth from Waste.

#### c. Any other objectives as mentioned under Section 135 of Companies Act, 2013 and / or relevant Rules and Schedules.

The Corporate Social Responsibility Policy is available on the website of the Company at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml).

The composition of the CSR Committee as on date:

Mr. A. K. Gupta	Chairman
Mr. Karthik Natarajan	Member
Ms. Sonali Dhawan	Member
Mr. Madhusudan Gopalan	Member

2. Average net profit of the Company for last three Financial Years – ₹ **610.10 Crores**



3. Prescribed CSR expenditure (2% of amount as in item 2) – ₹ 12.20 Crores

4. Details of CSR spend during Financial Year:

a) Total amount spent for the Financial Year – ₹ 12.20 Crores

b) Amount unspent, if any – **Not applicable**

c) Manner in which the amount spent during the Financial Year is detailed as below:

Sr. no.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify State & district where projects/ programs were undertaken	Amount outlay (budget) project or program wise (₹ in Crores)	Amount spent on the projects or programs			Cumulative expenditure upto the reporting period (₹ in Crores)	Amount spent: Direct or through implementing agency
					Total (₹ in Crores)	Direct expenditure	Overheads		
1	P&G Shiksha: Read India Program	Education: Remedial Learning & Early Childhood Education	UP, Rajasthan, MP, HP, Telangana, Uttarakhand, Bihar, Delhi	3.50	3.50	93%	7%	3.50	Implementing agency: Pratham Education Foundation
2	P&G Shiksha: Build & Support Schools	Education: Infrastructure Interventions	Pan-India	3.00	3.00	100%	Nil	3.00	Implementing agency: Round Table India Trust
3	P&G Shiksha: Supporting communities around our plants	Education: Interventions in a Govt. School in Mandideep around our Plant	Mandideep (MP)	0.15	0.15	94%	6%	0.15	Implementing agency: Arushi Society
4	P&G Shiksha: Supporting communities around our plants	Education: Interventions in a Public Charitable Trust for orphan, destitute and abandoned children	Goa	0.08	0.08	100%	Nil	0.08	Implementing agency: Matruchhaya
5	P&G Shiksha: Read India Program	Education: Remedial Learning	Mysore	0.12	0.12	93%	7%	0.12	Implementing agency: Pratham Mysore
6	P&G Shiksha: Supporting Defence NGOs to educate underprivileged children	Education: Support Sankalp School Mumbai - a special school for differently abled children	Mumbai (Maharashtra)	0.30	0.30	90%	10%	0.30	Implementing agency: Navy Wives Welfare Association
7	P&G Shiksha: Supporting Defence NGOs to educate underprivileged children	Education: Support Umeed Schools through AFWWA – school for the underprivileged	Delhi	0.30	0.30	90%	10%	0.30	Implementing agency: Air Force Wives Welfare Association
8	P&G Shiksha: Supporting Defence NGOs to educate underprivileged children	Education: Support Asha Schools, APS Leh and Education of Girl Children for Army Widows through AWWA	Delhi, Leh	0.71	0.71	90%	10%	0.71	Implementing agency: Army Wives Welfare Association
9	P&G Shiksha: Supporting Education of Marginalised Girls and children in rural areas	Education: Support Girl Child Education through KGBV Schools in Rajasthan and Jharkhand	Rajasthan	1.90	1.90	93%	7%	1.90	Implementing agency: Save The Children
10	P&G Shiksha: Supporting remedial learning via digital learning	Education: Support remedial learning leveraging digital platforms	Rajasthan & MP	1.94	1.94	90%	10%	1.94	Direct with the help of Educational Initiatives (EI)
11	P&G Shiksha: Supporting education & infrastructure in Himalayan Belt	Education & Infrastructure: Electrification of a village near Leh and setting up educational hubs	J&K	0.20	0.20	90%	10%	0.20	Direct with the help of Global Himalayan Expedition (GHE)

5. In case the Company has failed to spend two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report: **Not applicable**

6. The CSR Committee confirms that the implementation and monitoring of CSR activities, is in compliance with CSR objectives and CSR policy of the Company.

**Madhusudan Gopalan**  
Managing Director

**A. K. Gupta**  
Chairman of the CSR Committee

## ANNEXURE II

### Business Responsibility Report for Financial Year 2017-18

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Details
1.	Corporate Identity Number (CIN) of the Company	L24239MH1964PLC012971
2.	Name of the Company	Procter & Gamble Hygiene and Health Care Limited
3.	Registered address	P & G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai - 400099
4.	Website	www.pg.com/en_IN
5.	E-mail id	investorpghh.im@pg.com
6.	Financial Year reported	July 1, 2017 to June 30, 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Ayurvedic products (NIC 21003) Sanitary napkins (NIC 13996) Deodorants (NIC 20237)
8.	List three key products / services that the Company manufactures / provides	1. Health care Products 2. Hygiene Products
9.	Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (b) Number of National Locations	None The Company's business and operations are spread across the country. Details of location of plants are given below: <b>Plant locations</b> <b>Goa:</b> (1) 173, 314, 315, Kundaim Industrial Estate, Kundaim, Goa - 403 115 <b>Baddi:</b> (1) Khasara No. 1808-09, Village-Doria, Export Park, Thana, Near Indo Farm, PO. Baddi, Tehsil Nalagarh, Dist. Solan Himachal Pradesh - 173205 (2) Village Katha, Near Charak Pharma, PO. Baddi, Tehsil Nalagarh, Dist. Solan Himachal Pradesh -173205
10.	Markets served by the Company	The Company's products have a national presence and some of the products are also exported to other countries.

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

Sr. No.	Particulars	Details
1.	Paid up Capital	₹ 32.46 Crores
2.	Total Turnover	₹ 2,455 Crores
3.	Total profit after taxes	₹ 375 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	₹ 12.20 Crores (3.25% of profit after tax)
5.	List of activities in which expenditure in point 4 above has been incurred	Refer Corporate Social Responsibility Report which is appended as Annexure I to the Directors' Report

## SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1.	Does the Company have any Subsidiary Company / Companies?	The Company does not have any Subsidiary Company
2.	Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Not applicable as the Company does not have any Subsidiary Company
3.	Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company?	Your Company's Sustainability Guidelines for External Business Partners set our expectations with our external partners with regard to Social and Environmental Responsibility. We actively seek business relationships with partners that share these values, and that promote high standards within their own supply chains. Our risk-based audit program supports this effort by assessing partners through third-party audits, and identifying and remediating issues. We strive to effect change in our supply base when we identify improvement opportunities, and this is an important way we fulfill our purpose. We want to build a robust system of External Business Partners that is fully integrated and synchronized with your Company's business and values.

## SECTION D: BUSINESS RESPONSIBILITY INFORMATION

### 1. Details of Director / Directors responsible for Business Responsibility

The Corporate Social Responsibility Committee of the Company is responsible for the Business Responsibility policies of the Company.

Details of the Directors responsible for implementation of the Business Responsibility policies:

1.	<b>DIN</b>	02588131	08158357	06685891	06808527
2.	<b>Name</b>	Mr. A. K. Gupta	Mr. M. Gopalan	Mr. K. Natarajan	Ms. S. Dhawan
3.	<b>Designation</b>	Independent Director	Managing Director	Non-Executive Director	Non-Executive Director

### 2. Principle-wise (as per NVGs) Business Responsibility Policy(ies)

All successful and sustainable companies have one thing in common – good governance practices. Your Company believes in “*Doing right Thing, Everytime*”. Your Company has a strong history of operating with integrity - at all levels, both internally and externally. Our actions and the actions of all our employees are governed by our *Purpose, Values and Principles* (PVP). Your Company reinforces responsibilities on all its employees, including key employees, of observing high standards of Corporate Governance through the Company's “*Worldwide Business Conduct Manual*” which sets forth management's commitment to conduct its business affairs with high ethical standards. These standards flow from the following core values of the Company:

- Treat the Company's assets as you would treat your own;
- Behave with the Company's long term success in mind;
- Always do the right thing; and
- Operate within the letter and spirit of law.

#### Business Responsibility Principles:

Principle 1: Ethics, Transparency and Accountability (P1)	Principle 6: Environment Protection (P6)
Principle 2: Safe Products & Products Lifecycle Sustainability (P2)	Principle 7: Policy Advocacy (P7)
Principle 3: Employees' Well-being (P3)	Principle 8: Inclusive Growth (P8)
Principle 4: Stakeholder Engagement (P4)	Principle 9: Customer Value (P9)
Principle 5: Human Rights (P5)	

**Details of compliance:**

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for the relevant Principle?	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national / international standards?	The World-wide business conduct manual and the Human Rights policy statement apply UN guiding principles on Business & Human Rights								
4.	Has the policy being approved by the Board?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified Committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online	www.pg.com/en_IN								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the company have in-house structure to implement the policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy(ies) to address stakeholders' grievances related to the policy(ies)?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

**3. Governance related to Business Responsibility**

The Corporate Social Responsibility Committee and the Board of Directors assess the Business responsibility performance annually. The Business Responsibility Report shall be issued annually along with the Annual Report of the Company. The Business Responsibility Report can be viewed at [www.pg.com/en\\_IN](http://www.pg.com/en_IN).

**SECTION E: PRINCIPLE-WISE PERFORMANCE****Principle 1: Ethics, Transparency and Accountability**

Your Company is committed to being a good corporate citizen and doing the right thing. Our *Purpose, Values and Principles* (PVP) are the foundation of the Company. Our objective is to create industry-leading value by maintaining and enhancing our strong corporate reputation through a strong ethics and compliance culture. We operate within the spirit and letter of the law, maintaining high ethical standards wherever we conduct business. We believe that good governance practices contribute to better results for shareholders. We maintain governance principles, policies and practices that support management accountability.

These are in the best interest of the Company and our shareholders, and they are consistent with the Company's PVP. Company reinforces responsibilities on all its employees, of observing high standards of Corporate Governance through the Company's *Worldwide Business Conduct Manual* which sets forth management's commitment to conduct its business affairs with high ethical standards. The Sustainability Guidelines for External Business Partners in their daily business activities on behalf of the Company. External business partners and their suppliers are expected to share your Company's commitment to these standards.

Your Company being a part of the Procter & Gamble group is guided by a Whistle Blower Policy as laid down in its *Worldwide Business Conduct Manual*. Any employee or other interested person can call on *The Worldwide Business Conduct Helpline*, twenty-four hours a day, seven days a week, to report any concerns about violations of the Company's *Worldwide Business Conduct Standards*. *The Worldwide Business Conduct Helpline* is not staffed or monitored by the Company personnel. All calls can be completed anonymous if the caller desires. The *Helpline* can take calls in most languages spoken by employees

around the world. Calls made to the *Helpline* are reported to the Company's Corporate Security and Legal personnel, who will ensure appropriate investigation and follow-up of all calls. Callers are given a confidential identification number so they can inquire about the status of their reported concerns. The *Worldwide Business Conduct Helpline* is accessible to all employees. In compliance with the requirement under the SEBI Listing Regulations, 2015 and Section 177 of the Companies Act, 2013 and the Rules made thereunder, the Company has adopted the whistle blowing policy as the vigilance mechanism for Directors and employees to report genuine concerns or grievances such as unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Audit Committee oversees the vigil mechanism and number of cases reported alongwith the status report and action taken (if any) are reported to the Committee. During the Financial Year, 9 complaints were received and same were dealt with in accordance with the *Worldwide Business Conduct Manual*.

## **Principle 2 : Safety and Sustainability throughout the life cycle**

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. Product quality and safety are of the utmost importance to your Company. Customers choose your Company because we provide products of superior quality and value that improve the lives of the world's consumers. Just as we provide safe, quality products, we expect our suppliers to assure the quality and safety of the products and services they provide to us.

Your Company strives to deliver products with an improved environmental profile. To reduce the environmental impact of our products your Company uses life cycle analysis to understand where the biggest impact exists, so we know where to focus our innovation. Our deep understanding of the consumer enables us to develop sustainable products that will delight the consumer, without tradeoffs in price or performance.

Your Company is focused on the environmental performance of our entire supply chain, including our own manufacturing facilities, our suppliers, and the logistics of our finished products. Your Company is focused on creating efficiencies in energy, water, waste, and emissions.

Our sustainability work goes beyond the core of our manufacturing operations, extending to a holistic end-to-end view of opportunities. We deliver strong results across the supply chain, ranging from manufacturing to finished product logistics—engaging our suppliers throughout the process:

- **Manufacturing:** Between the procurement of raw materials and the creation of a product, we strive to reduce waste, water, energy, and CO<sub>2</sub> through systemic conservation efforts. We apply smart eco-design through innovative construction process improvements. And, we re-use where feasible, giving new life to what was once waste.
- **Finished Product Logistics:** In the logistics stage, we reduce waste in customization by applying more sustainable designs. We have also optimized our transportation efficiency by making changes to the rate, route, mode and method of transportation. We have focused on eliminating inefficiencies such as loading and unloading delays, rush transport up-charges, dead legs (empty trucks) and P&G production line stops.
- **Supplier Engagement:** We collaborate closely with suppliers across the entire supply chain. We have implemented a supplier sustainability scorecard, which assesses the environmental footprint of our suppliers, enabling P&G to partner and help reduce the environmental impact along the supply chain.

Your Company ensures that it meets all applicable legislative and regulatory requirements related to product quality, safety and labeling.

## **Principle 3: Employee Well-Being**

For your Company, people are its most valuable asset. Accordingly, we are committed to the highest standards of safety to protect the employees as well as external parties who work at or visit the Company sites.

Your Company ensures fair employment practices and also encourages employee Engagement and Participation by:

- Ensuring Health and Safety of all the employees
- Providing Safe work environment by avoiding violence and harassment
- Encouraging diverse workforce, non-discriminated opportunities
- Freedom of forming Association
- Continuous Learning, etc.



It has various Employee Centric policies in its place and thereby resulting in low turnover, high work force and better organization to work with.

Your Company forbids the use of child or forced labor in any of its operations or facilities. Your Company fully respects and follows all applicable labour laws.

Your Company respects every employee's right to choose to join or not to join a trade union, or to have recognized employee representation in accordance with applicable law.

As on June 30, 2018, your Company had a total of 359 employees, including 70 permanent women employees. 350 persons were engaged on temporary / contractual basis. During the Financial Year, the Company did not receive any complaints relating to child labour, forced labour, involuntary labour, sexual harassment or discriminatory employment. All the employees and persons engaged on temporary / contractual basis were given safety & skill up-gradation training.

#### **Principle 4 : Stakeholder Engagement & Relation**

Your Company actively engages with various internal & external stakeholders, which include, employees, consumers, customers, shareholders, external business partners and the government.

Your Company believes that only way to build a sustainable business is to improve lives. It engages with disadvantaged, vulnerable and marginalized stakeholders through its Corporate Social Responsibility initiatives, which include *P&G Shiksha* and *Timely Disaster Relief*.

The Company's CSR initiatives are elaborated in the CSR Report which is appended as Annexure I to the Directors' Report.

#### **Principle 5 : Human Rights**

Our core values as a Company include treating everyone with respect. We have a strong non-discrimination policy and have zero tolerance for unlawful discrimination. The coalition advocates for all employees, regardless of race, religion, gender, sexuality, age or disability. We respect everyone's right to be who they are, and want all employees to feel safe, included and able to bring their whole selves to work.

The Human Rights Policy statement extends to all the employees and all stakeholders associated with the Company. No complaints with respect to Human Rights violation were received by the Company during the Financial Year.

#### **Principle 6 : Environment Protection**

Protecting the earth is both a responsibility and a business opportunity. Our goal is to create brands that enable consumers to make more sustainable choices. We have integrated sustainability into our business practices, operations, innovation, brand building and culture. The environment sustainability guidelines of the Company cover both the Company and other people associated with the Company. The details on Environmental Sustainability initiatives can be viewed at [http://www.pg.com/en\\_IN/sustainability/environmental-sustainability.shtml](http://www.pg.com/en_IN/sustainability/environmental-sustainability.shtml).

Environmental sustainability is embedded in your Company's *Purpose, Values, Principles, and business*. We are committed to improving lives, now and for generations to come by ensuring that our products, packaging and operations are safe for employees, consumers and the environment. We ensure by focusing on technologies, processes and improvements that matter for the environment.

As we are on the way of achieving many of our 2020 environmental sustainability goals, during the last year, your Company announced its broad reaching global environmental sustainability goals for 2030 titled *Ambition 2030*. As a responsible corporate citizen, Environmental sustainability is one of our focus areas and we continue to positively impact the communities we operate in. P&G's *Ambition 2030* environmental sustainability goals aim to enable and inspire positive impact while creating value for the Company, our partners, and consumers.

The framework for our goals spans across four areas – brands, our supply chain, society and employees. They seek to address two of the world's most pressing environmental challenges – finite resources and growing consumption. Our vision is to bring about a positive difference by aiming to use 100% renewable or recyclable materials for our products and packaging; cut our greenhouse gas emissions by half, power our plants with 100% renewable energy; source at least 5 billion liters of water from circular sources and design products that delight consumers while maximizing the conservation of resources.

As a part of the World Environment Day celebrations 2018 held in India, your Company was among the few companies to be invited to pledge its support to environmental sustainability in the presence of the dignitaries including

Hon. Prime Minister of India, Mr. Narendra Modi; Mr. Erik Solheim, UN Environment Executive Director and Under-Secretary-General of the United Nations, Dr. Harsh Vardhan, Ministry of Science & Technology, Ministry of Environment, Forest and Climate Change and Ministry of Earth Sciences. Our Managing Director, Mr. Madhusudan Gopalan announced your Company's broad-reaching environmental sustainability goals designed to enable responsible consumption and sustainable manufacturing:

- a. All our P&G's brands will enable responsible consumption through packaging that is 100% recyclable or reusable by 2030
- b. As a Company, we will launch our sanitary napkin recycling programs in 10 major cities across the world by 2030; with India as one of the priority countries where we will launch in 2019
- c. By 2030, 100% of P&G manufacturing sites across the globe will cut greenhouse gas emissions in half as compared to our 2010 baseline. Globally, the Company will source at least 5 billion liters of water by re-using the water we use in our existing operations.

As we aspire to make a difference, we recognize that it will take partnerships and collaboration to make meaningful progress and our brands will develop innovations to take responsible consumption to the next level.

Your Company's Head Office at Mumbai reduced its annual energy consumption by over 23.5% over the last 15 years. Your Company's Goa plant is a 'zero waste to landfill' site which means that there is no manufacturing discharge into the environment. In the last 5 years, the Goa plant has reduced its carbon emission by 17.5%. During this period, the plant has also improved on both energy and water consumption at 78.9%. The plant is also leveraging technology, experts, employees and renewable sources of energy to reduce our overall footprint and make our operations more sustainable.

For your Company, sustainability inspires and guides everything. Moreover, we ensure environment friendly practices at our sites. These include a reduction in power consumption, optimal water consumption and eliminating excess use of paper.

### ***Principle 7 : Business Policy & Advocacy***

As a corporate citizen, your Company often engages in efforts to affect legislation or government policy on issues that could impact our business and society at large. Your Company ensures that all its advocacy activities are consistent with its *Purpose, Values & Principles* and applicable laws.

Your Company is a member of following trade and chamber of association, through which advocacy was conducted in listed areas:

- Federation of Indian Chambers of Commerce & Industry
- Confederation of Indian Industry
- Feminine and Infant Hygiene Association of India
- American Chamber of Commerce in India
- India Home & Personal Care Industry Association

Some of the key issues on which your Company engaged with the Government in 2017-18 include:

- Solid Waste Management rules
- Plastic Waste Management rules
- Technical textile related events
- GST implementation
- Standard packaging rules

### ***Principle 8 : Inclusive growth and Equitable development***

Your Company believes that the only way to build a sustainable business is to improve lives. For your Company, sustainability means making every day better for people through how we innovate and how we act. As one of the world's largest consumer products Company, we have both a responsibility and an opportunity to do the right thing and create change. This strategy has inspired an enduring CSR strategy supported by two pillars – *P&G Shiksha* and *Timely Disaster Relief*. While *P&G Shiksha* provides children from underprivileged backgrounds with an access to a holistic 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.

Your Company has undertaken CSR initiatives during the Financial Year amounting to ₹ 12.20 Crores which are detailed in the CSR Report which is appended as Annexure I to the Directors' Report.

**Principle 9 : Customer Value and Responsibility**

We are committed to providing products and services that can help improve the lives of our consumers. In developing and marketing our products, we adopt a *"Consumer Is Boss"* approach to ensure that we delight consumers by launching new products and product improvements that genuinely meet their needs. We actively encourage consumers to contact us because we want to hear about our consumers' experiences with our products.

Our aspiration is to serve the world's consumers better than our best competitors, in every category and every country where we choose to compete — creating superior shareholder value in the process. Innovation is at the heart of your Company's business. It differentiates our brands versus competition and prevents commoditization of our categories and brands. It's how we delight consumers, create value with retail partners, and create new businesses. Your Company combines "what's needed" with "what's possible," conducting hundreds of consumer research studies each year to understand what people need and want, in order to create superior value and product experience every day.

## ANNEXURE III

### Statement of Disclosure of Remuneration under Section 197 of the Companies Act, 2013 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

**i. Ratio of remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year:**

Name of Director	Designation	Salary ₹ in lakhs	Commission ₹ in lakhs	Sitting Fees ₹ in lakhs	Total ₹ in lakhs	Ratio
Mr. Al Rajwani*	Managing Director	816.10	—	—	<b>816.10</b>	98.28
Mr. R. A. Shah	Independent Director	—	11.00	2.90	<b>13.90</b>	1.67
Mr. B. S. Mehta	Independent Director	—	11.00	1.95	<b>12.95</b>	1.56
Mr. A. K. Gupta	Independent Director	—	11.00	3.80	<b>14.80</b>	1.78
Mr. P. Agarwal	Non-Executive Director	—	—	—	—	—
Mr. S. S. Rathore	Non-Executive Director	—	—	—	—	—
Ms. S. Dhawan	Non-Executive Director	—	—	—	—	—
Mr. K. Natarajan	Non-Executive Director	—	—	—	—	—

\* Mr. Al Rajwani ceased to be Director & Managing Director of the Company effective June 30, 2018. Remuneration of Mr. Al. Rajwani is paid by the Company and cross charged to Procter & Gamble Home Products Private Limited and Gillette India Ltd. in proportion to their respective Net Outside sales.

**ii. % increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year:**

Designation	Name of Employee	% increase/(decrease) in remuneration
Managing Director	Mr. Al Rajwani	(26%)
Company Secretary	Mr. Ishan Sonthalia*	—
Chief Financial Officer	Mr. Prashant Bhatnagar	5.00%

\* Mr. Ishan Sonthalia ceased to be Company Secretary of the Company effective March 31, 2018.

**iii. The % increase in the median remuneration of employees in the Financial Year is 8%.**

**iv. The number of permanent employees on the rolls of Company is 359.**

**v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last Financial Year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

The average percentage increase made in the salaries of employees other than the managerial personnel in the Financial Year was 6.94% whereas the increase in salaries paid to managerial personnel was 14%. The average increase every year is an outcome of Company's market competitiveness as against peer group companies.

**vi. We affirm that the remuneration is as per the remuneration policy of the Company.**

## ANNEXURE IV

### Nomination & Remuneration Policy and its Framework

#### 1. CHARTER

This charter governs the formation and operation of the Nomination and Remuneration Committee (the 'Committee') of Procter & Gamble Hygiene and Health Care Limited (the 'Company').

#### 2. INTRODUCTION

The Company believes in conducting its affairs in a non-discriminatory and transparent manner by adopting highest standards of professionalism and good corporate governance practices. The Company believes that a good corporate governance system is necessary to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board and / or the Committees of the members of the Board.

#### 3. FORMATION OF COMMITTEE

The Nomination and Remuneration Committee of the Company was constituted on August 12, 2014 consisting of 3 Directors. The Committee and Nomination and Remuneration Policy (the 'Policy') is in compliance with all applicable provisions of the Companies Act, 2013, particularly Section 178 read together with the applicable rules thereto and Clause 49 of the Listing Agreement.

#### 4. CONSTITUTION OF THE COMMITTEE

- 4.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- 4.2 Term of the Committee shall be continued unless terminated by the Board of Directors.
- 4.3 Chairman of the Committee shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the Committee but shall not be the Chairman of the Committee.

#### 5. QUORUM & MEETINGS

Minimum two (2) members shall constitute a quorum for a Committee meeting. In the event only two (2) members are present, the unanimous vote of the two (2) members shall constitute an act of the Committee.

In case of an equality of votes, the Chairman shall have a second or casting vote. Where the Committee comprises of more than two (2) members, the act of a majority of the members present will constitute an act of the Committee.

The Committee shall meet at least twice in a Financial Year, with additional meetings when circumstances require, as determined by the Committee Chairman.

#### 6. MINUTES

Minutes of each meeting will be prepared by or under the direction of the Company Secretary. The Company Secretary shall maintain a permanent record of the minutes of the meeting/s, and shall distribute minutes to members of the Committee as also directors who are not members of the Committee.

#### 7. REPORTING AND DISCLOSURE

The Company Secretary or any other person nominated by the Board shall apprise the Board at its next meeting or earlier, if required by the law, of all material matters and recommendations proposed by the Committee from time to time.

Membership of the Committee, brief description of term of reference, programs under corporate social responsibility and attendance of the member of the Committee during the year shall be disclosed in the Annual Report.

#### 8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

#### 9. FUNCTIONS OF THE COMMITTEE

- 9.1 **Corporate Governance:** To ensure that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of Corporate Governance;
- 9.2 **Board diversity:** Review the composition of the Board and devise a policy on Board diversity;
- 9.3 **Appointment Criteria:** To formulate criteria for determining qualifications, positive attributes and independence of a director and to identify persons who are qualified to become directors and who may be appointed in senior management in



accordance with the criteria laid down and recommend the Board of their appointment and removal;

9.4 **Appointment of Independent Directors:** To formulate the criteria for evaluation of Independent Directors on the Board;

9.5 **Remuneration Policy:** To review and recommend to the Board the overall strategies in relation to Executive and Non-Executive remuneration policies;

9.6 **Performance evaluation:** To carry out evaluation of every director's performance.

## 10. REVIEW

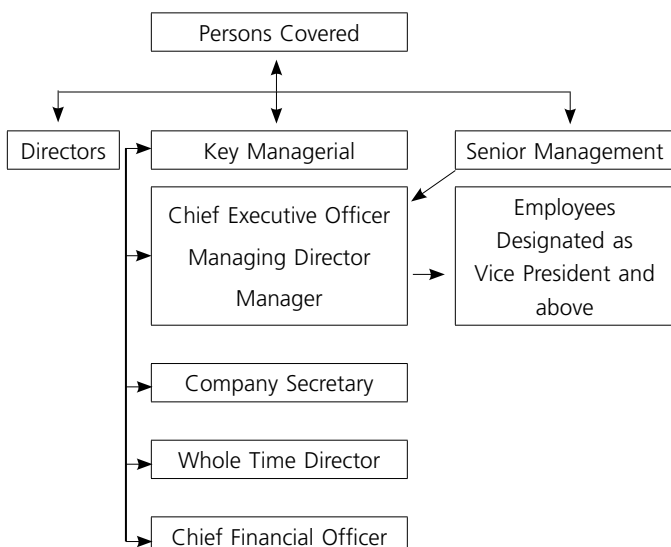
The Committee shall review and reassess the framework and the Policy, on an annual basis and obtain the approval of the Board of Directors, for any changes / amendment in the framework / policy.

## NOMINATION AND REMUNERATION POLICY

### 1. PREFACE

The Nomination and Remuneration Policy ('Policy') for members of the Board of Directors, Key Managerial Personnel and Senior Management of the Company is designed to attract, motivate and retain leadership members in a competitive and international market. The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders.

### 2. POLICY IS APPLICABLE TO:



### 3.1 GUIDING PRINCIPLES – Key Management Personnel Compensation

Our fundamental and overriding objective is to create value for our shareholders at leadership levels on a consistent long-term basis. To accomplish this goal, the global guidelines on executive compensation programs provide the following guiding principles:

#### 1. *Emphasize Pay for Performance*

Aligning incentives with business strategies to reward executives who achieve or exceed Company, business unit, and individual goals, while discouraging excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of others.

#### 2. *Pay Competitively*

Set target compensation opportunities to be competitive with other multinational corporations of similar size, value, and complexity.

#### 3. *Focus on Long-Term Success*

Include equity as a cornerstone of our executive pay programs and by using a combination of short-term and long-term incentives to ensure a strong connection between Company performance and actual compensation realized.

### 3.2 GUIDING PRINCIPLES – Compensation to Independent Directors

#### 1. *Ensure compliance with local laws*

Compensation to Independent Directors cannot exceed the threshold provided under local law as per the Companies Act.

#### 2. *Pay Competitively in line with peer companies*

Target compensation to be competitive with other corporations of similar size, value, and complexity.

The Company will undertake periodic exercise to benchmark the pay-out of key peer / same sector companies.

### 4. REMUNERATION OF EXECUTIVE DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT ("EXECUTIVE EMPLOYEE")

The Human Resources department will determine remuneration criteria and recommend the same to the Board, using the above guiding principles.

- i **SALARY:** Each executive employee will be entitled to receive a salary which will be competitive and based on executive's responsibilities and performance;
- ii **SHORT TERM INCENTIVES:** Based on the achievement of an individual, pre-defined financial and strategic business targets presented by the Committee and ratified by the Board of Directors;
- iii **LONG TERM INCENTIVES:** Each Executive Employee will be entitled to receive long term incentives, as per the global guidelines and as recommended by the Management, from time to time;
- iv **SEVERANCE PAY AND PENSION CONTRIBUTION:** As per employment terms;
- v **OTHER BENEFITS:** Executive employees will be entitled to insurance policy(s), pension scheme and such other benefits as the Company may provide from time to time.

## 5. RATIFICATION OF REMUNERATION TO KEY MANAGEMENT PERSONNEL

The committee will bi-annually ratify the remuneration of the Key Management Personnel.

## 6. MAXIMUM MANAGERIAL REMUNERATION

The total managerial remuneration payable by the Company, to its directors, including managing director and whole-time director and non executive directors shall be within the limits as prescribed under the law.

## 7. REMUNERATION OF INDEPENDENT DIRECTOR

The Company will remunerate Independent Directors in a manner designed to attract and maintain high quality Board members. Independent Directors are paid remuneration by way of commission and / or sitting fees. The Company may pay a sitting fee per meeting to Independent Directors for attending Board meetings within the limits prescribed under law. Further, if the shareholders approve, commission may be paid to Independent Directors within the statutory monetary limits. Such commission is paid on a uniform basis to reinforce the principle of collective responsibility.

The remuneration of Independent Directors is consistent with and supportive of maintaining the Independent Director's independence.

## 8. POLICY AND PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS

- (A) The selection criteria for the appointment and re-appointment of directors will normally be based on an analysis of the composition of the existing Board, its skill and experience and its independence requirements.

Factors to be considered when reviewing a potential candidate for Board appointment include without limitation:

- The skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- The capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments;
- Potential conflicts of interest, and independence in accordance with the Companies Act, 2013 and the SEBI Regulations, as specified and applicable from time to time.

- (B) Each director will prior to their appointment provide to the Company sufficient information to allow the Board to adequately assess the independence of the director. Directors should ensure that updated information is provided to the Board if the circumstances relating to the assessment of their independent status changes.

- (C) The identification of potential directorial candidates may be assisted by the use of external search organisations as appropriate.

## 9. EVALUATION

### 9.1 Evaluation of Key Managerial Personnel

- The Managing Director performs the evaluation of performance on an annual basis.
- The Managing Director does a review of the performance based on the efforts put in by the employee, results achieved against the goals set, and impact of external / internal factors.
- The performance review will also include the review of remuneration of the KMP.

### 9.2 Evaluation of Independent Directors

The performance evaluation of Independent Directors shall be done by the Board, excluding the Director being evaluated, basis the contributions made to the Board deliberations in the Board meetings.

## 10. REVIEW AND DISCLOSURE

- 10.1 The Company shall disclose in the Board's report, the ratio of the remuneration of each director, to the median employee's remuneration and such other details as prescribed under law.
- 10.2 The Company discloses in its Annual Report all elements of remuneration package of individual directors summarized under major groups details of fixed component and performance linked incentives together with material terms, service contracts like notice period, severance fees (if any) and stock option details (if any).
- 10.3 The Board is responsible for approving the remuneration strategy for directors, executive and senior management. In determining whether to approve the relevant level of remuneration, the Board is to consider the recommendations from the Committee, prevailing market conditions, performance by the individual and the business strategies and objectives of the Company. The Board shall disclose the remuneration of senior executives in the Company's Annual Report. The Human Resources department of the Company will monitor the day to day compliance with this Policy.

### Dividend Distribution Policy

In India, regulatory framework as laid down under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires the Company to put in place policy framework for distribution of dividend. Accordingly, the Board of Directors of Procter & Gamble Hygiene and Health Care Limited ("the Company") have formally adopted the following written policy.

This policy documents the principles for distribution of dividends for the Equity Shareholders of the Company.

#### Principles for considering dividend are as follows:

The Board of Directors will consider appropriate dividend periodically in a manner in which it:

1. Rewards the Shareholders with **sustainable returns**;
2. Retains **sufficient capital** that allows the Company to exploring business opportunities.

The Board of Directors will forward the dividend recommendation for the approval of the Shareholders.

The dividend distribution shall be made in accordance with the applicable provisions of the Companies Act, 2013; Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends, as in force and as amended from time to time.

#### Periodicity:

The Company shall declare its Annual Dividend at its Annual General Meeting every year, as per recommendation by the Board of Directors. The Board may declare any interim dividend(s), based on management review during the Financial Year.

#### Accounting Year:

The Company shall account for dividend (including dividend distribution tax) in the year in which it is approved in the Annual General Meeting and the interim dividend in the year in which it is approved in Board meeting. This is subject to any regulatory requirements.

#### Disclosure:

This policy shall be disclosed on the website of the Company.

## ANNEXURE VI

## Secretarial Audit Report

## FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2018

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with modifications as deemed necessary, without changing the substance of format given in MR-3]*

To,

The Members,

**Procter & Gamble Hygiene and Health Care Limited**

P & G Plaza, Cardinal Gracias Road, Chakala,  
Andheri East, Mumbai – 400 099

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Procter & Gamble Hygiene and Health Care Limited (CIN L24239MH1964PLC012971)** (hereinafter called "the Company") for the financial year ended 30<sup>th</sup> June, 2018. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

A. In expressing our opinion it must be noted that-

- i. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- ii. We have followed the audit practices and processes as were appropriate to obtain reasonable assurances about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis of our opinion.
- iii. We have not verified the correctness and appropriateness of the financial records and books of accounts of the Company.
- iv. Wherever required, we have discussed with the management of the company, relied on the legal opinion and the management representation pertaining to compliance of laws, rules and regulations, happening of events, etc.
- v. The compliance with the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
- vi. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor

of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

- B. Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 30<sup>th</sup> June, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-process (duly evolved) and compliance-mechanism in place to the extent and as applicable to the Company in the manner and subject to the reporting made hereinafter:
- C. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 30<sup>th</sup> June, 2018 according to the provisions of:
  - I. The Companies Act, 2013 (the Act) and the rules made thereunder;
  - II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
  - III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
  - IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment only as the Company has neither made any Overseas Direct Investment nor obtained External Commercial Borrowings during the audit period.
  - VA. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
    - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

- (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
- VB. The Company has not undertaken any of the activities during the audit period as envisaged in the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and hence are not relevant for the purpose of audit:-
- The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
  - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and
  - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
- VI. The following Acts and Rules made thereunder pertaining to Company's business are applicable to the Company:
- Drugs and Cosmetics Act, 1940;
  - The Legal Metrology Act, 2009 and
  - The Legal Metrology (Packaged Commodities) Rules, 2011.
- D. We have also examined compliance with the applicable clauses which, are generally adhered to, of the following:
- Secretarial Standards in respect of Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.
  - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above:

**E. We further report that,–**

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through and there was no instance of any director expressing any dissenting views.
- The Company is in the process of filing Form IEPF 4 pursuant to sub-section 6 of Section 124 of the Act, in respect of the Unclaimed Dividend for the Financial Year ended 30<sup>th</sup> June, 2010.

**F. We further report that there are adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.**

**G. We further report that during the audit period none of the following events has taken place:**

- Public / Rights / Preferential Issue of Shares / Debentures / Sweat equity etc.
- Redemption / buy back of securities.
- Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013.
- Merger / Amalgamation / Reconstruction, etc.
- Foreign Technical Collaborations.

For **DHOLAKIA & ASSOCIATES LLP**  
(Company Secretaries)

Sd/-  
**CS Bhumitra V. Dholakia**  
Designated Partner  
FCS - 977  
CP No. 507

Place : Mumbai

Date : 22<sup>nd</sup> August, 2018



## MANAGEMENT DISCUSSION AND ANALYSIS

### Economy and markets

As per reports, India's GDP is estimated to have increased by 6.6% in 2017-18 and is expected to grow to 7.3% in 2018-19. While India continues to be one of the fastest growing economies in the world, the business environment for the FMCG industry in the country remains challenging. During the last fiscal, the tax regime in the country saw a major transformation with the implementation of GST and the subsequent round of tax slab reductions. This led to trade uncertainty and a subdued economic sentiment. Along with the macroeconomic changes in the country, the FMCG industry is facing challenges arising from the global geopolitical and economic scenario like the rise in crude oil prices and the rupee depreciation.

### Opportunities, risk and outlook

While the overall operating environment continues to be dynamic, it offers opportunities and poses some unique challenges to the industry.

The consumer lifestyle, preferences and shopping habits are now changing more than ever before. The digital boom and increased use of mobile phones have given rise to a new marketplace that is now available on a consumer's fingertip. The booming e-commerce industry has transformed the way companies communicate and has led to the emergence of newer tools of influencing and advertising to consumers. To capitalize on these opportunities, it will be imperative for companies to address some of the near-term challenges. Sustaining their competitive advantage against increasing competition and strengthening the supply chain to increase penetration in the expanding market will be critical to their success.

The overall outlook remains positive for the FMCG sector with opportunities like increased disposable income, increased consumer spending, growing youth population and increased rural consumption. Your Company is well positioned to sustain and improve its performance and leverage the available opportunities, address challenges and overcome the risks.

### Performance Overview

The discussion on financial performance of the Company and its various businesses is elaborated in the Directors' Report.

### Risk Management

Your Company has set up a Risk Management Committee. The Company has also adopted a Risk Management Policy.

### Business, Finance & Operational risks

The Company's Risk Management Policy is in line with the parent Company's global guidelines and as such adequate measures have been adopted by the Company to anticipate,

plan and mitigate the spectrum of risks it faces. On business risks (competition, consumer preferences and technology changes) the Company undertakes a *Competition Response Model program*. For financing risks it has a robust operational contingency and legal plan. It also undertakes Business Contingency Plan for key vendors and natural disasters. The Company also has adequate Insurance coverage to protect the value of its assets. This coverage duly covers any risks relating to business interruption resulting from property damage and legal liability resulting from property damage or personal injury.

The Company has in place a very stringent and responsive system under which all its distributors and vendors are assessed before being selected.

### Regulatory and Compliance risks

Your Company operates within the letter and spirit of all applicable laws. General compliance with legal requirements is an important component of P&G's *Worldwide Business Conduct Manual* and the same directs the following action from every employee:

- To obey all legal requirements at all times;
- To understand exactly what legal requirements apply to the work function;
- To consult the legal personnel if there are conflicting legal requirements in different jurisdictions;
- To strictly follow the directions from the legal personnel;
- To address and resolve, in a timely manner, any legal compliance issues that have been identified;
- Absolutely no violation of any law; and
- To immediately report any instance of violations to the Legal Department.

Your Company has set in place the requisite mechanism for meeting with the compliance requirements, periodic monitoring of compliance to avoid any deviations, and regular updates to keep pace with the regulatory changes.

### Security Risks

Your Company has implemented comprehensive security programs supported by latest technology and trained manpower to protect employees and assets, at all its offices and plants. During the Financial Year under review, no major security breaches or incidents occurred at any of the Company's plants. A comprehensive security risk assessment is carried out regularly and adequate security measures are implemented to cater to changing security scenario. Your Company has installed the best of the security measures and processes to protect its personnel and assets.

## Internal Auditor

During the Financial Year, the Board of Directors had appointed Ms. Garima Maheshwari, Chartered Accountant as the Internal Auditor of the Company for the Financial Year 2017-18.

## Internal Controls & their adequacy

Your Company has strong Internal Controls Environment and Risk Assessment / Management systems. These systems enable Company to comply with Internal Company policies, procedures, standard guidelines and local laws to help protect Company's assets and confidential information against financial losses and unauthorized use. The robust controls environment at your Company is efficiently managed through:

- **Controls Self-Assessments (CSAs)** are performed regularly across business processes. The organization does detail process reviews to evaluate process compliances versus standards. This enables organization to proactively identify control weaknesses and initiate actions to sustainably mitigate them.
- **Stewardship and Global Internal Audit (GIA) Reviews** led by a team of three fulltime Internal Controls experts, ensure that all key processes i.e. selling, revenue, distribution, trade & marketing spends, vendor payments, and plant operations are reviewed and assessed at frequent intervals. The observations and findings are shared with senior management for implementing quality action plans to strengthen overall controls environment in these processes. The assessments of High risks and SOX Compliance areas are assessed by an independent internal audit department lead by the Company's Global Internal Audit team. This team comprises of certified internal controls experts who has internal controls experiences across the different markets that the Company operates in.
- **Governance and stewardship boards** comprises of the Managing Director, Group Chief Financial Officer, Chief Human Resource Officer and Chief Legal Officer. The Board looks at enterprise level current and potential risks and works plans to eliminate / mitigate them.

During the Financial Year under review, the Global Internal Audit (GIA) performed Audits of key areas covering Selling, Account receivable and Order Shipping and billing and system accesses, Controls were rated as '*Strong with low*

*controls risks*' for key processes. Local management has executed quality action plans to remediate all the findings reported by GIA during their engagement.

## HR Initiatives

Your 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. Your Company focuses on attracting, motivating and retaining the best talent. Its people systems like talent supply, performance management and talent development are robust and competitive. We have put in place robust HR programs to ensure that the organization is geared up to deliver the future.

**Attracting & Retaining Talent:** India continues to be a key source for Global talent and an Employer of Choice in India. Given our build from within strategy and our focus on our core campus programs coupled with our innovative programs ensures we continue to be an Employer of Choice in our Core Campuses and beyond. We are ranked in the Top 10 Employers in the Annual Nielsen Campus Survey.

**Developing Talent:** Our policies on leadership pipeline, talent planning, mentoring and diversity & inclusion policies continue to ensure that we attract and retain the best talent. Our New hires into the company are given a thorough on-boarding through our '*i-LEAD Program*' and '*SPARK- Sales New Hire Program*' to ensure that they are early contributors in their roles and feel valued. Your Company's performance management system, is robust and drives the employees to perform at their *PEAK*. It clearly assesses and differentiates employees on the basis of performance. We have established a *CARE* program to build the capability of our people managers. With our focus on inclusive development, we were recognized by *Working Mothers Magazine* as one of the Best Companies for Women in India. We have a robust talent management process to ensure we build world class leaders. This is supported by a strong Learning & Development program, leveraging internal and external experts to ensure our people are exposed and learn from the very best. The number of employees as on June 30, 2018 was 359.

The Statements in the Management Discussion and Analysis Report may be seen as forward looking statements. The actual results may differ materially for those expressed or implied in the statement depending on circumstances.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE PHILOSOPHY

Your Directors are pleased to present the Corporate Governance Report:

Corporate Governance is the interaction of the Management, Members and the Board of Directors to help ensure that all stake holders are protected against managers acting solely in their own best interest. Governance process has to ensure that the societal measures employed by the Company are utilized in a manner that meets with the stakeholders' aspirations and societal expectations. Corporate Governance consists of laws, policies, procedures, and, most importantly, practices, that ensure the wellbeing of the assets of the Company. Corporate Governance is at its highest levels when Management is acting as if they are long-term investors in the Company.

Your Company has a strong history of operating with integrity – at all levels, both internally and externally. Our actions and the actions of all our employees are governed by our *Purpose, Values and Principles* (PVP). Our commitment to operate responsibly is reflected in the steps we have in place to ensure rigorous financial discipline and Corporate Governance.

Your Company has a highly experienced Board of Directors, which helps us maintain the highest standards of Corporate Governance. Our Audit Committee is comprised of Independent Directors, with appropriate financial skills to provide good oversight. We have in place strong internal controls, to ensure compliance with all relevant regulations and standards. Our rigorous business process controls include ongoing programs of self-assessment, controls, as well as internal and external audits. Your Company has adopted a Code of Conduct for its Directors, which is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct.

Further, your Company reinforces responsibilities on all its employees, including key employees, of observing high standards of Corporate Governance through the Company's *"Worldwide Business Conduct Manual"* ("*WBCM*") which sets forth management's commitment to conduct its business affairs with high ethical standards. This Manual flows from our PVP which is the umbrella for our critical policy areas, which in turn create specific guidelines and standards. This Manual enables the Company's employees to make easier connection to relevant policies and the tools that support them. This Manual describes the Company's *"Worldwide Business Conduct Standards"*. These standards flow from the following core values of the Company:

- Treat the Company's assets as you would treat your own;
- Behave with the Company's long term success in mind;
- Always do the right thing; and
- Operate within the letter and spirit of law.

The *WBCM* also details the policy statements, operating policies / procedures / practices and Internal Controls being followed by the Company with specific emphasis on ethical behaviour of employees, compliance with all applicable laws in letter and spirit, ensuring accuracy of books and records, maintaining confidentiality of corporate data, avoidance of conflict of interest, fair dealings, fair competition, following best practices for safety and health of Company personnel, environmental protection, trading in securities and a host of special legal issues.

Our reputation is earned by our conduct: what we say, what we do, the products we make, the services we provide, and the way we act and treat others. As conscientious citizens and employees, we want to do what is right. For your Company, this is the only way to do business.

### BOARD OF DIRECTORS

#### (a) Composition of the Board

The Board of Directors of the Company comprises of an optimum combination of Executive and Non-Executive Directors. As on date, the Board is headed by a Non-Executive Independent Chairman, a Managing Director (Executive) and six other Non-Executive Directors.

The Non-Executive Independent Directors bring external perspective and independence to decision making. Mr. R. A. Shah (Chairman), Mr. B. S. Mehta and Mr. A. K. Gupta have been appointed as 'Non-Executive Independent Directors' for a period of five years w.e.f. September 24, 2014 by the Members at the Annual General Meeting held on September 24, 2014. They have provided Certificate of Independence to the Company stating that they meet the criteria of independence as mentioned under Section 149 (6) of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("*SEBI Listing Regulations, 2015*"). The terms & conditions of appointment of Independent Directors are available on the website of the Company. All other Directors, except the Managing Director and the Non-Executive Independent Directors, are Directors liable to retire by rotation.

Mr. Al Rajwani resigned from the Company as the Director and Managing Director of the Company effective June 30, 2018 owing to his retirement from the P&G Group after 37 years of service. Mr. Madhusudan Gopalan has succeeded him as the Director and Managing Director of the Company for a period of five years effective July 1, 2018.

The composition of the Board of Directors and other Directorships held as on date are given below:

Name of the Director	Category	Designation	Directorships in other companies*	Membership of Board Committees of other companies**	
				Member	Chairman
Mr. R. A. Shah	NED / ID	Chairman	10	9	5
Mr. M. Gopalan#	ED	Managing Director	2	2	Nil
Mr. B. S. Mehta	NED / ID	Director	5	5	2
Mr. A. K. Gupta	NED / ID	Director	1	2	1
Mr. P. Agarwal	NED	Director	2	Nil	Nil
Mr. S. S. Rathore	NED	Director	2	Nil	Nil
Ms. S. Dhawan	NED	Director	2	1	Nil
Mr. K. Natarajan	NED	Director	1	Nil	Nil

NED – Non-Executive Director

ED – Executive Director

ID – Independent Director

\* Includes directorships in private companies and companies registered under Section 8 of the Companies Act, 2013 and excludes directorships in foreign companies.

\*\* Includes memberships of only Audit Committee and Stakeholders' Relationship Committee of Public Companies.

# Mr. Madhusudan Gopalan was appointed as Director and Managing Director of the Company effective July 1, 2018.

#### (b) Number of meetings of the Board

Four (4) meetings of the Board were held during the period July 1, 2017 to June 30, 2018. These meetings were held on August 23, 2017, November 13, 2017, February 3, 2018, and May 11, 2018.

#### (c) Directors' attendance record

The attendance of the Directors at the Board Meetings and at the last Annual General Meeting is as under:

Name of Director	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Last Annual General Meeting (Whether attended)
Mr. R. A. Shah	4	4	Yes
Mr. Al Rajwani*	4	3	Yes
Mr. B. S. Mehta	4	3	Yes
Mr. A. K. Gupta	4	4	Yes
Mr. P. Agarwal	4	4	Yes
Mr. S. S. Rathore	4	4	Yes
Ms. S. Dhawan	4	3	Yes
Mr. K. Natarajan	4	3	No

\* Mr. Al Rajwani ceased to be Director and Managing Director effective June 30, 2018.

#### (d) Separate meeting of Independent Directors

The Independent Directors of the Company met separately without the presence of Non-Independent Directors or management representatives on May 11, 2018 to review the performance of non-independent directors; the Board & the Chairperson of the Company, and to assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### (e) Related Party Transactions

The Company has adopted Related Party Transaction Policy ('RPT Policy') to ensure that all Related Party Transactions entered into by the Company shall be in the best interest of the Company and in accordance with the provisions of the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations, 2015. The RPT Policy is available on the Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml).

Prior approval of the Audit Committee is obtained for all related party transactions. Prior omnibus approval of the Audit Committee is obtained for all related

party transactions which are of repetitive nature. All related party transactions are reviewed by external chartered accounting firm to ensure transactions are in ordinary course of business, at arm's length and are in compliance with the RPT Policy of the Company. All related party transactions are placed before the Audit Committee for quarterly review.

There are no material pecuniary relationships / significant transactions made by the Company with its Promoters, Directors or management, their subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note 32 forming part of the Financial Statements.

#### (f) Remuneration of Directors

Members of the Company at their 51<sup>st</sup> Annual General Meeting held on October 28, 2015 had passed a Special Resolution according approval for payment of commission to the Non-Executive

Independent Directors of the Company upto a maximum of 1% of the net profits of the Company per annum in the aggregate, for a period of 5 years w.e.f. July 1, 2016. The said resolution had also empowered the Board of Directors to fix the quantum of commission payable to each of the Non-Executive Independent Directors and to also determine the period for which said commission is payable. In view of the above, the Board of Directors have accorded approval for payment of Annual Commission of ₹ 11 Lakhs to each of the Non-Executive Independent Directors for the Financial Year 2017-18. The said commission is within the limits of 1% of the net profits of the Company in the aggregate. The Non-Executive Directors are paid to compensate their valuable contribution to the Company owing to their wealth of experience and knowledge.

No fee / compensation is payable to the Directors on severance of Directorship of the Company.

Details of the remuneration paid / provided to the Directors of the Company during the Financial Year ended June 30, 2018 are given below:

Amount in ₹

Name of Director	Relationship with other Directors	Salary including Bonus + PF contribution	Commission	Sitting Fees	Shares held (Equity Shares of ₹10/- each)*
Mr. R. A. Shah	None	—	11,00,000	2,90,000	12,906
Mr. Al Rajwani <sup>#</sup>	None	8,16,09,546 <sup>\$</sup>	—	—	—
Mr. B. S. Mehta	None	—	11,00,000	1,95,000	3,799
Mr. A. K. Gupta	None	—	11,00,000	3,80,000	—
Mr. P. Agarwal	None	—	—	—	—
Mr. S. S. Rathore	None	— <sup>\$\$</sup>	—	—	—
Ms. S. Dhawan	None	— <sup>\$\$\$</sup>	—	—	—
Mr. K. Natarajan	None	— <sup>\$\$\$\$</sup>	—	—	—

\* Excludes shares held by relatives.

<sup>#</sup> Mr. Al Rajwani ceased to be Director and Managing Director of the Company effective June 30, 2018.

<sup>\$</sup> Mr. Al Rajwani is paid by the Company and portion of the remuneration is cross charged to Gillette India Limited and Procter & Gamble Home Products Private Limited in proportion to their respective Net Outside Sales.

<sup>\$\$</sup> ₹ 45 Lakhs being Company's contribution to remuneration of Mr. Rathore has been cross charged from Gillette India Limited in terms of the common service agreement.

<sup>\$\$\$</sup> ₹ 97 Lakhs being Company's contribution to remuneration of Ms. Dhawan has been cross charged from Procter & Gamble Home Products Private Limited in terms of the common service agreement.

<sup>\$\$\$\$</sup> ₹ 8 Lakhs being Company's contribution to remuneration of Mr. Natarajan has been cross charged from Gillette India Ltd in terms of the common service agreement.



## Stock Options

The Company does not have any Stock Option Plan for its employees. However, all employees of the Company including its Managing Director are given the right to purchase shares of the Ultimate Holding Company – The Procter & Gamble Company, USA under its 'International Stock Ownership Plan'. Certain employees of the Company are also entitled to Stock Option of the Ultimate Holding Company under its Employee Stock Option Plan. Details as regards the same are disclosed vide Note 31 forming part of the Financial Statements.

## (g) Committees of the Board

### Audit Committee

The Audit Committee presently comprises of Mr. R. A. Shah (Chairman), Mr. B. S. Mehta (Member), Mr. A. K. Gupta (Member) and Mr. Madhusudan Gopalan (Member). The Audit Committee met on August 23, 2017, November 13, 2017, February 3, 2018 and May 11, 2018.

Directors	Designation	Category	Profession	No. of Meetings held during tenure	No. of Meetings attended
Mr. R. A. Shah	Chairman	NED / ID	Solicitor	4	4
Mr. B. S. Mehta	Member	NED / ID	Chartered Accountant	4	3
Mr. A. K. Gupta	Member	NED / ID	Consultant	4	4
Mr. Al Rajwani* (Erstwhile Member)	Member	ED	Service	4	3

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

\* Mr. Al Rajwani ceased to be Director and Managing Director of the Company w.e.f. June 30, 2018 and consequently ceased to be Member of the Audit Committee w.e.f. June 30, 2018.

The Audit Committee plays the role as is contemplated under Section 177 of the Companies Act, 2013 read with the SEBI Listing Regulations, 2015.

The Audit Committee powers include the following:

- to investigate any activity within its terms of reference;
- to seek information from any employee;
- to obtain outside legal or other professional advice; and
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee role includes the following:

- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Examination and reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report

- x. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- xi. Monitoring the end use of funds raised through public offers and related matters and reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- xii. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xiii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiv. Discussion with internal auditors of any significant findings and follow up there on;
- xv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- xvi. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xvii. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- xviii. To review the functioning of the Whistle Blower mechanism;
- xix. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the

qualifications, experience and background, etc. of the candidate; and

- xx. Reviewing any other areas which may be specified as role of the Audit Committee under the SEBI Listing Regulations, 2015, the Companies Act, 2013 and other statutes, as amended from time to time.

The minutes of the Committee are placed before the Board.

### Stakeholder Relationship Committee

The Committee presently comprises of Mr. S. S. Rathore (Chairman), Mr. Madhusudan Gopalan (Member) and Mr. A. K. Gupta (Member). During the Financial Year, four meetings were held on August 23, 2017, November 13, 2017, February 3, 2018 and May 11, 2018.

Directors	No. of Meetings held during tenure	No. of Meetings attended
Mr. S. S. Rathore	4	4
Mr. A. K. Gupta	4	4
Mr. Al Rajwani* (Erstwhile Member)	4	3

\* Mr. Al Rajwani ceased to be Director and Managing Director of the Company effective June 30, 2018 and consequently ceased to be Member of the Stakeholder Relationship Committee effective June 30, 2018.

The role of the Committee is as follows:

- Resolving the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of Annual Report, non-receipt of declared dividends etc.
- Overseeing transfer / transmission of shares, issue of duplicate share certificates, and dematerialization / rematerialization of shares.

During the Financial Year, the Company received 9 complaints from Members. These complaints have been resolved during the year. There were no pending share transfers as on June 30, 2018.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of Mr. A. K. Gupta (Chairman), Mr. R. A. Shah (Member) and Mr. Karthik Natarajan (Member). During the Financial Year, three meetings were

held on August 23, 2017, February 3, 2018 and May 11, 2018.

<b>Directors</b>	<b>No. of Meetings held during tenure</b>	<b>No. of Meetings attended</b>
Mr. A. K. Gupta	3	3
Mr. R. A. Shah	3	3
Mr. Karthik Natarajan	3	2

The role of the Committee is as follows:

- Formulation of criteria for determining qualifications, positive attributes and independence of Directors;
- Formulation of evaluation criteria for performance evaluation of Independent Directors and the Board;
- Recommendation to the Board of a Policy, relating to the remuneration of Directors, key managerial personnel and senior management;
- Identification of persons who are qualified to become directors and who may be appointed in senior management and recommendation to the Board their appointment and removal;
- Carrying out evaluation of every Director's performance;
- Devise a policy on Board diversity;
- Any other role & responsibility, as may be mandated by any statutory legislation, from time to time.

The Company has adopted Nomination and Remuneration Policy. The Nomination and Remuneration Policy is in compliance with all applicable provisions of the Companies Act, 2013, particularly Section 178 read together with the applicable rules thereto and Regulation 19 of the SEBI Listing Regulation, 2015. The Policy is designed to attract, motivate and retain leadership members in a competitive and international market. The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders. The Policy is available on

the website of the Company at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml). This Policy is also annexed to this Directors' report as Annexure IV.

The Company has also adopted a Board Diversity Policy which is based on the principle that the Company's Board of Directors should have a balance of skills, experience and diversity of perspectives appropriate to the Company's business. The Company recognizes that a Board composed of appropriately qualified people with a broad spectrum of experience relevant to the business is important for effective corporate governance and sustained commercial success of the Company. The Company aims to achieve a sustainable and balanced development by building a diverse and inclusive culture.

The Committee carries out an evaluation of the performance of individual Directors. Feedback was sought by way of structured questionnaires covering various aspects in line with the Guidance Note on Board evaluation issued by the Securities and Exchange Board of India vide its circular dated January 5, 2017 and performance evaluation was carried out based on the responses received from the Directors.

### **Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee presently comprises of Mr. A. K. Gupta (Chairman), Mr. Madhusudan Gopalan (Member), Ms. Sonali Dhawan (Member) and Mr. Karthik Natarajan (Member). During the Financial Year, three meetings were held on August 23, 2017, November 13, 2017 and February 3, 2018.

<b>Directors</b>	<b>No. of Meetings held during tenure</b>	<b>No. of Meetings attended</b>
Mr. A. K. Gupta	3	3
Mr. Al Rajwani * (Erstwhile Member)	3	2
Mr. K. Natarajan	3	2
Ms. S. Dhawan	3	2

\* Mr. Al Rajwani ceased to be Director and Managing Director of the Company effective June 30, 2018 and consequently ceased to be Member of the Corporate Social Responsibility Committee effective June 30, 2018

The role of the Committee is as follows:

- Formulation and recommendation to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company;
- Recommendation of the amount of expenditure to be incurred on the CSR activities;
- Monitoring the CSR Policy of the Company from time to time;
- Formulation and monitoring of implementation of business responsibility policies; and
- Annual assessment of the business responsibility performance and reporting.

The Company has adopted a Corporate Social Responsibility Policy ('CSR Policy'). In line with the global principles followed by the Procter & Gamble group and terms of the Companies Act, 2013, the CSR policy is broadly framed taking into account the following:

- We believe it's essential to run our business responsibly, and our operating practices reflect this commitment.
- We are focused on making every day better for people and the planet through our innovations and our actions:
  - i. Environment by – Conservation of Resources, Using Renewable Resources, Generating Worth from Waste;
  - ii. Social by – providing the comforts of home, improving health and hygiene of people, social and cultural development, imparting education, training and social awareness.

### Risk Management Committee

The Company has constituted a Risk Management Committee to monitor and the review the Risk Management Policy and plans of the Company. The Committee presently comprises of Mr. Madhusudan Gopalan (Chairman), Mr. Karthik Natarajan (Member), Mr. A. K. Gupta (Member), Mr. P. Agarwal (Member), Mr. S. S. Rathore (Member), Mr. P. Bhatnagar (Member) and Mr. G. Sawhney (Member). During the Financial Year, one meeting was held on February 3, 2018.

Name of Member	No. of meetings held during tenure	No. of meetings attended
Mr. Al Rajwani* (Erstwhile Chairman)	1	1
Mr. K. Natarajan	1	Nil
Mr. A. K. Gupta	1	1
Mr. P. Agarwal	1	1
Mr. S. S. Rathore	1	1
Mr. P. Bhatnagar	1	1
Mr. G. Sawhney	1	1

\* Mr. Al Rajwani ceased to be Director and Managing Director of the Company effective June 30, 2018 and consequently ceased to be Member of the Risk Management Committee effective June 30, 2018

The Company has adopted a Risk Management Policy, which aims to create a standard, structured and efficient approach to identify, assess and mitigate risks. Our Company meetings are structured to plan, assess and mitigate risks. These include annual & monthly business planning meetings as well as specific category and go-to-market assessments.

### Cash & Investment Committee

The Company has constituted a Cash & Investment Committee, presently comprising of Mr. Pramod Agarwal (Chairman), Mr. A. K. Gupta (Member), Mr. Shailymanyu Singh Rathore (Member) and Mr. Karthik Natarajan (Member). During the Financial Year, no meetings were held.

The role of the Committee is as follows:

Assessment and recommendation to the Board the best possible utilization of cash generated by the Company, on basis of following primary considerations-

- i) protecting long term growth of the Company;
- ii) maximizing return to the shareholders; and
- iii) ensuring risk free investments choices.

### (h) Familiarization programme for Independent Directors

The familiarization programme aims at familiarizing the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates and business model of the Company.

Your Company conducts presentations at meetings of the Board and meeting of various Committees of the Board periodically to familiarize the Independent Directors with the business performance, business strategy, operations and functions of the Company. Such presentations help the Independent Directors to understand the Company's strategy, business model, operations, market, competition, organization structure, risk analysis and such other areas.

The Company updates the Independent Directors on changes in relevant laws / regulations from time to time. Each member of the Board, including the Independent Directors, are given any information relating to the Company, whenever they so request. Independent Directors have the freedom to interact with the Company's management.

In case of appointment of new Independent Director on the Board of the Company, the Company would:

- Issue a formal letter of appointment containing roles and responsibilities at the time of appointment;
- Provide introductory documents including Annual Report, Board committee framework, codes of conducts as may be applicable to the Director, various Policies and procedures adopted by the Company.

The familiarization programme is available on the Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/index.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/index.shtml).

#### (i) **Annual Evaluation of the Directors**

The Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors individually. Feedback was sought by way of structured questionnaires covering various aspects in line with the Guidance Note on Board evaluation issued by the Securities and Exchange Board of India vide its circular dated January 5, 2017 and performance evaluation was carried out based on the responses received from the Directors.

#### (j) **Disclosures regarding re-appointment of Directors**

- i. **Ms. Sonali Dhawan** is a graduate from Lady Shriram College, with a B.Com (Hons.) in Business Studies. She has completed her MBA in Marketing from the Indian Institute of Management, Ahmedabad. Ms. Dhawan joined Procter & Gamble in 1998. She has handled various roles in Marketing across different regions which include ASEAN, India & Australia.

She has been awarded as 'Marketer of the Year FMCG' by IAA awards in 2014 and has been rated as Number 7 in the IMPACT 50 most influential women in Marketing and Advertising for two consecutive years.

Ms. Dhawan, retires by rotation and being eligible, offers herself for re-appointment at the forthcoming 54<sup>th</sup> Annual General Meeting.

- ii. **Mr. Shailymanyu Singh Rathore** is a graduate in Law from Maharishi Dayanand University, Rohtak, and completed his Masters of Law from Bond University, Australia. He is a Fellow member of the Center for American and International Law, Texas. Mr. Rathore has been working in Procter & Gamble since ten years and has held various positions in the Legal department in Singapore and India.

Mr. Rathore, retires by rotation and being eligible, offers himself for re-appointment at the forthcoming 54<sup>th</sup> Annual General Meeting.

### **COMMUNICATION TO SHAREHOLDERS**

- (i) The quarterly results of the Company are announced within 45 days of completion of the quarter or within the time as prescribed by the Securities & Exchange Board of India. Audited Annual Results are announced within 60 days of the end of Financial Year or within the time as prescribed by the Securities & Exchange Board of India which are published in the The Economic Times, Mumbai Lakshadeep and The Asian Age.
- (ii) The Company's results and official news releases are published on Company's website: [www.pg.com/en\\_IN](http://www.pg.com/en_IN).
- (iii) No presentations were made to Analysts and Institutional Investors during the course of the Financial Year.
- (iv) This Annual Report along with Notice calling the General Meeting for the Financial Year 2017-18, in electronic form, is being sent to the Members at the email address provided / updated by the Members with the Depository Participants / RTA, as applicable. Physical copy of the Annual Report is being sent to the members whose e-mail address is not registered with the Company.



## STATUTORY COMPLIANCE

The Company has complied with all applicable requirements prescribed by the regulatory and statutory authorities including Stock Exchanges and SEBI on all matters related to capital markets and no strictures or penalty was imposed on the Company in past three years.

## GENERAL MEETINGS

Annual General Meeting	Date	Time	Venue	No. of special resolutions passed
53 <sup>rd</sup>	November 16, 2017	11:00 a.m.	All the three Annual General Meetings were held at Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhonsle Marg, Mumbai-400 021	—
52 <sup>nd</sup>	December 2, 2016	11:00 a.m.		—
51 <sup>st</sup>	October 28, 2015	3:30 p.m.		1

At the 51<sup>st</sup> Annual General Meeting held on 28<sup>th</sup> October, 2015, the following Special Resolution was passed:

Approval for payment of Commission to Non-Executive Independent Directors of the Company upto one percent of the net profits of the Company per annum in the aggregate for a period of five years with effect from July 1, 2016.

## POSTAL BALLOT

No postal ballot was undertaken during the Financial Year ended June 30, 2018.

## CEO / CFO CERTIFICATION

A compliance certificate in accordance with Regulation 17(8) of the SEBI Listing Regulations, 2015 was provided to the Board of Directors in the prescribed format for the Financial Year 2017-18, which was reviewed by the Audit Committee and taken on record by the Board.

## ADOPTION OF DISCRETIONARY REQUIREMENTS

The Company has adopted following discretionary requirements of Regulation 27(1) of the SEBI Listing Regulations, 2015:

- There are no audit qualifications in the Company's financial statements for the Financial Year 2017-18.
- The Company has appointed separate persons as Chairman and Managing Director of the Company.

## WHISTLE BLOWER POLICY

The Company being a part of the Procter & Gamble group is guided by a Whistle Blower Policy as laid down in its "Worldwide Business Conduct Manual". Any employee or other interested person can call on 'The Worldwide Business Conduct Helpline (previously called the Alertline)', twenty-four hours a day, seven days a week, to report any concerns about violations of the Company's "Worldwide Business Conduct Standards".

The Worldwide Business Conduct Helpline is not staffed or monitored by the Company personnel. All calls can be completed anonymous if the caller desires. The Helpline can take calls in most languages spoken by employees around the world.

Calls made to the Helpline are reported to the Company's Corporate Security and Legal personnel, who will ensure appropriate investigation and follow-up of all calls. Callers are given a confidential identification number so they can inquire about the status of their reported concerns.

The 'Worldwide Business Conduct Helpline' is accessible to all employees.

In compliance with the requirement under the SEBI Listing Regulations, 2015 and Section 177 of the Companies Act, 2013 and the Rules made thereunder, the Company has adopted the whistle blowing policy as the vigilance mechanism for Directors and employees to report genuine concerns or grievances such as unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

The Audit Committee oversees the vigil mechanism and number of cases reported alongwith the status report and action taken (if any) are reported to the Committee. No personnel has been denied access to the Audit Committee.

The Vigil Mechanism is available on the Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/policies.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/policies.shtml).

## CODE OF CONDUCT

### (i) Code of Conduct for Directors

The Company has in place a Code of Conduct for its Directors and senior management. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal

conduct. The Board Members and Senior Management Personnel have affirmed their compliance with the Code of Conduct and a Managing Director certificate to that effect is annexed to this Corporate Governance Report. The Code of Conduct has been posted on the Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/code\\_of\\_conduct.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/code_of_conduct.shtml).

## (ii) Code of Conduct for Prohibition of Insider Trading

The Board of the Company has adopted the Code of Conduct for prevention of Insider Trading SEBI (Prohibition of Insider Trading) Regulations, 2015. The code has been posted on the Company's website at [http://www.pg.com/en\\_IN/invest/pghh/corporate\\_governance/code\\_of\\_conduct.shtml](http://www.pg.com/en_IN/invest/pghh/corporate_governance/code_of_conduct.shtml).

## GENERAL SHAREHOLDER INFORMATION

### I. Annual General Meeting

The 54<sup>th</sup> Annual General Meeting will be held on **Thursday, November 29, 2018 at 11.00 a.m.** at Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhonsle Marg, Mumbai – 400 021.

### II. Financial Calendar

Presently, the Company follows July-June Financial Year. The Financial Results are declared within timelines as prescribed by the Securities & Exchange Board of India.

### III. Book Closure Dates: Friday, November 23, 2018, to Thursday, November 29, 2018 (both days inclusive).

The said book closure is for payment of dividend.

### IV. Dividend Payment Date: On or before December 21, 2018.

### V. Listing of Equity Shares on Stock Exchange

The Company's shares are listed on the BSE Limited, Mumbai and the National Stock Exchange of India Limited. Listing fees as prescribed have been paid to the respective Stock Exchanges.

### VI. Stock Code

BSE Limited Mumbai - Code : 500459

National Stock Exchange of India Ltd - Code : PGHH

The dematerialization ISIN Code is **INE 179A01014**

## VII. Stock Price Data

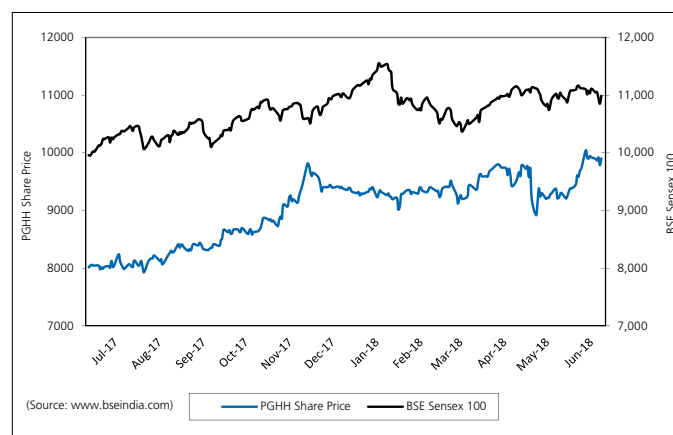
Month	BSE		National Stock Exchange of India Ltd.	
	High	Low	High	Low
July – 2017	8,390.00	7,940.00	8,387.00	7,925.70
August – 2017	8,350.00	7,891.00	8,345.00	7,851.50
September – 2017	8,517.00	8,151.05	8,865.80	8,131.05
October – 2017	8,900.00	8,374.55	8,747.00	8,388.00
November – 2017	9,422.00	8,499.95	9,600.00	8,639.05
December – 2017	9,899.85	9,258.20	9,900.00	9,239.10
January – 2018	9,559.95	9,182.00	9,550.00	9,211.30
February – 2018	9,424.00	8,800.00	9,450.00	8,855.05
March – 2018	9,548.00	9,080.00	9,649.00	9,161.05
April – 2018	9,847.95	9,245.95	9,860.95	9,225.50
May – 2018	9,800.00	8,811.00	9,800.00	8,800.00
June – 2018	10,360.00	9,140.00	10,349.95	9,200.00

(Source: [www.bseindia.com](http://www.bseindia.com) & [www.nseindia.com](http://www.nseindia.com))

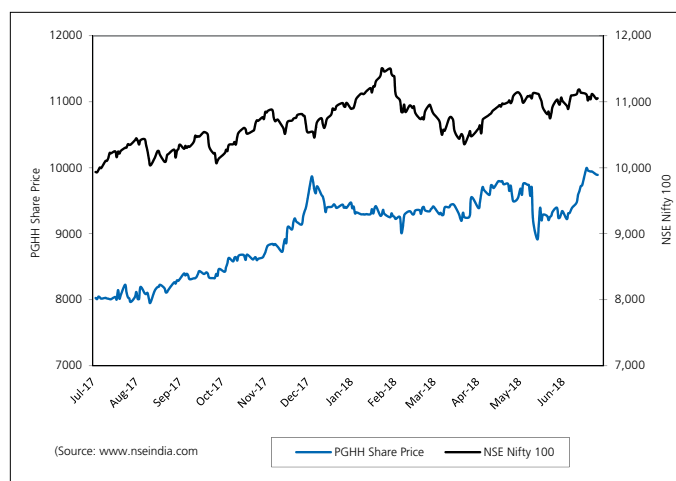
Note: High and low are in Rupees (₹) per traded share

## VIII. Stock Performance in comparison to the BSE Sensex and NSE Nifty

The following chart shows the performance of the Company's shares as compared to the BSE Sensex during the Financial Year 2017-18:



The following chart shows the performance of the Company's shares as compared to the NSE Nifty during the Financial Year 2017-18:



## IX. Registrar & Transfer Agents

Link Intime India Private Limited  
C-101, 247 Park, LBS Marg,  
Vikhroli (West), Mumbai 400 083  
Tel : (022) 4918 6279, Fax : (022) 4918 6060  
E-mail : [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

## X. Share Transfer System

All Shares sent for transfer in the physical form are registered by the Registrar and Share Transfer Agents as per the terms of the SEBI Listing Regulations, 2015. Shares under objection are returned within two weeks.

All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

## XI. Distribution of shareholding by size class as on June 30, 2018

Share holding	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 500	28,213	94.36	17,21,437	5.30
501 – 1000	907	3.03	6,40,370	1.97
1001 – 2000	435	1.46	6,03,947	1.86
2001 – 3000	112	0.38	2,74,121	0.85
3001 – 4000	58	0.19	2,02,500	0.62
4001 – 5000	27	0.09	1,22,024	0.38
5001 – 10000	58	0.19	3,97,075	1.22
10001 and above	91	0.30	2,84,99,262	87.80
<b>TOTAL</b>	<b>29,901</b>	<b>100.00</b>	<b>3,24,60,736</b>	<b>100.00</b>

## XII. Distribution of shareholding by ownership as on June 30, 2018

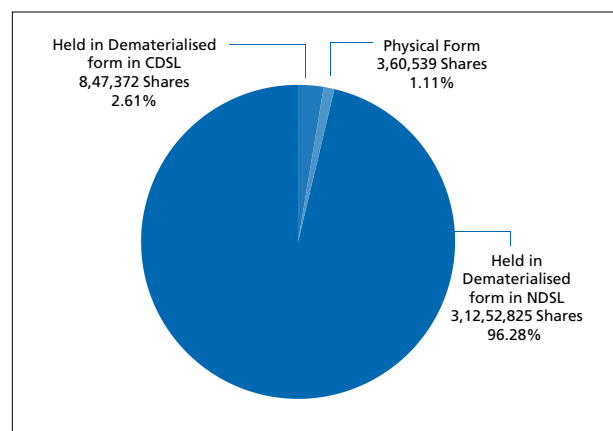
Category	Number of Shares held	% of Shares held
Foreign & Indian promoters	2,29,29,773	70.64
Resident Individuals and others	38,98,328	12.00
Mutual Funds	16,52,268	5.09
Financial Institutions / Banks	7,83,721	2.42
Insurance Companies	8,23,104	2.53
Alternate Investment Fund	10,160	0.03
Foreign Portfolio Investors	11,79,962	3.64
Private Corporate Bodies	10,01,499	3.08
NRIs & Foreign Nationals	1,64,595	0.51
Directors and their relatives	17,326	0.05
<b>TOTAL</b>	<b>3,24,60,736</b>	<b>100.00</b>

## XIII. Dematerialization of shares and liquidity

The Company's shares are required to be compulsorily traded in the stock exchanges in dematerialised form. As on June 30, 2018, the number of shares in dematerialized and physical mode is as under:

Particulars	No. of shares	% to total capital issued
Held in dematerialized form in NSDL	3,12,52,825	96.28
Held in dematerialized form in CDSL	8,47,372	2.61
Held in Physical form	3,60,539	1.11
<b>TOTAL</b>	<b>3,24,60,736</b>	<b>100.00</b>

## Shares held in demat / physical form as on June 30, 2018



**XIV.** As on date, the Company has not issued GDR / ADR / warrants or any convertible instruments.

**XV. Unclaimed / Unpaid Dividends**

The amount of the unclaimed dividend for and upto the Financial Year ended June 30, 2010, has been transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Those Members who have not claimed their dividend for the said periods shall not be entitled to claim the same either from the Company or from the said fund.

Final dividend for the Financial Year ended June 30, 2011 and for the subsequent years, which remain unpaid or unclaimed, will be due for transfer to the IEPF of the Central Government on the dates mentioned in the table below. Members who have not encashed their dividend warrants for these years are requested to seek issue of duplicate warrants on or before the due dates mentioned therein, by writing to the Company's RTA M/s. Link Intime India Private Limited.

Date of Declaration	For the Financial Year ended	Due for transfer to IEPF
23.11.2011	30.06.2011	29.12.2018
06.12.2012	30.06.2012	11.01.2020
09.12.2013	30.06.2013	14.01.2021
24.09.2014	30.06.2014	30.10.2021
28.10.2015	30.06.2015	03.12.2022
03.12.2016	30.06.2016	08.01.2024
05.05.2017	Interim 2016-17	10.06.2024
16.11.2017	30.06.2017	22.12.2024

During the Financial Year 2017-18, unclaimed final dividend amount for the Financial Year ended June 30, 2010 amounting to ₹ 17,90,572/- was transferred to the IEPF on December 11, 2017.

The details of unpaid / unclaimed dividend as on date of previous Annual General Meeting, i.e., November 16, 2017 have been posted on the website of the Company, viz., [www.pg.com/en\\_IN](http://www.pg.com/en_IN).

**XVI. Plant Location**

**Goa:**

- (1) 173, 314, 315, Kundaim Industrial Estate, Kundaim, Goa - 403 115

**Baddi:**

- (1) Khasara. No. 1808-09, Village-Doria, Export Park, Thana, Near Indo Farm, PO. Baddi, Tehsil: Nalagarh, Dist.: Solan Himachal Pradesh - 173 205
- (2) Village Katha, Near Charak Pharma, PO. Baddi, Tehsil: Nalagarh, Dist.: Solan Himachal Pradesh - 173 205

**XVII. Address for Correspondence:**

Company Secretary & Compliance Officer  
Procter & Gamble Hygiene and Health Care Limited,  
P&G Plaza, Cardinal Gracias Road,  
Chakala, Andheri (East),  
Mumbai - 400 099.  
Tel: (91-22) 2826 6000  
Fax (91-22) 2826 7337  
Email id: [investorpghh.im@pg.com](mailto:investorpghh.im@pg.com)

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**Declaration**

As provided under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board Members have confirmed compliance with the Directors' Code of Conduct for the Financial Year ended June 30, 2018 and the Senior Management has complied with the Business Conduct Manual for the Financial Year ended June 30, 2018.

For **Procter & Gamble Hygiene  
and Health Care Limited**

**MUMBAI**  
**August 22, 2018**

**Madhusudan Gopalan**  
**Managing Director**

## Independent Auditor's Certificate on Corporate Governance

### TO THE MEMBERS OF PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED

This Certificate is issued in accordance with the terms of our Engagement Letter dated July 26, 2018.

This certificate is issued with regard to compliance of conditions of Corporate Governance by **Procter & Gamble Hygiene and Health Care Limited** ('the Company') for the year ended on June 30, 2018 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ('Listing Regulations').

#### Management's Responsibility

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management, including the preparation and maintenance of all relevant supporting records and documents. This Responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

#### Auditor's Responsibility

Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have examined the books of account and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company. We conducted our verification in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI which includes the concept of test check and materiality. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations as applicable during the year ended June 30, 2018. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

#### Restriction on use

This certificate has been issued at the request of the Company solely for confirming the compliance of conditions of Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 and is not to be used for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For **KALYANIWALLA & MISTRY LLP**  
**Chartered Accountants**  
Firm Regn. No.: 104607W / W100166

**Sd/-**  
**Roshni R. Marfatia**  
**Partner**  
M. No.: 106548

**MUMBAI, August 22, 2018**



## INDEPENDENT AUDITORS' REPORT

### To the Members of Procter & Gamble Hygiene and Health Care Limited

#### Report on Audit of the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Procter & Gamble Hygiene and Health Care Limited** ("the Company"), which comprise the Balance Sheet as at June 30, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the Ind AS financial statements).

#### Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs of the Company as at June 30, 2018, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

#### Other Matter

The comparative financial information of the Company for the year ended June 30, 2017, included in these Ind AS financial statements have been audited by the predecessor auditor whose report for the year ended June 30, 2017, expressed an unmodified opinion on those audited financial statements vide their audit report dated August 23, 2017.

Our opinion is not modified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder.
  - e) On the basis of the written representations received from the Directors as on June 30, 2018, taken on record by the Board of Directors, none of the Directors is disqualified as on June 30, 2018, from being appointed as a Director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements; – Refer Note 35 to the Ind AS financial statements.
    - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **KALYANIWALLA & MISTRY LLP**  
**Chartered Accountants**  
 (Firm's Registration No. 104607W/W100166)

**Roshni Marfatia**  
**Partner**  
 (Membership No. 106548)

**MUMBAI, August 22, 2018**

## ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report to the Members of the Company on the Ind AS financial statements for the year ended June 30, 2018.

1. Fixed Assets:
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) As explained to us, the Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies reported on such verification are not material and have been properly dealt with in the books of account.
  - c) According to the information and explanations given to us, the title deeds, comprising all the immovable properties of buildings, other than self-constructed buildings, are held in the name of the Company. In respect of immovable properties of land that have been taken on lease and disclosed as non-current / current assets in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
2. The inventory has been physically verified by the Management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to investments made, guarantees given and securities provided.
5. According to the information and explanations given to us, the Company has not accepted deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 of the Act and the Rules framed thereunder apply.
6. The maintenance of cost records has been prescribed by the Central Government under Section 148(1) of the Act in respect of specified products of the Company. For such products we have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
7. According to the information and explanations given to us and records of the Company examined by us, in our opinion:
  - a) the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, goods and services tax, cess, profession tax and other material statutory dues, as applicable, with the appropriate authorities and there are no undisputed amounts payable in arrears as at June 30, 2018, for a period of more than six months from the date they became payable.
  - b) there are no dues of income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax and goods and services tax which have not been deposited with the appropriate authorities on account of any dispute, other than the following:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates*	Amount Involved (₹ in lakhs)**
The Central Excise Act, 1944	Excise Duty	Customs, Excise and Service Tax Appellate Tribunal	2004-05 to 2008-09	10
Sales Tax and Laws as per statutes applicable in various states	Sales Tax and VAT	Appellate Authority - up to Commissioners/ Revisional authorities level	1997-98 to 2001-02, 2003-04 to 2014-15	1 963
		Appellate Authority - Tribunal	1996-97, 2001-02, 2002-03, 2005-06 to 2012-13	1 749
		High Court	1990-91 to 1997-98 & 2002-03	137

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates*	Amount Involved (₹ in lakhs)**
Customs Act, 1962	Customs Duty	Commissioner of Customs	1998-99	19
Finance Act, 1994	Service Tax	Appellate Authority -up to Commissioners/ Revisional authorities level	2006-07 to 2012-13	1 225
Income-tax Act, 1961	Income Tax	Income-tax Appellate Tribunal	2008-09, 2009-10, 2011-12 and 2012-13	7 245

\* Period denotes the financial year April to March

\*\* includes penalty and interest on taxes, wherever applicable

8. The Company has not taken any loans or borrowings from financial institutions, banks or government nor has issued any debentures.
9. The Company has not raised any money by way of initial public offer, further public offer (including debt instruments) or term loans during the year.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. In our opinion and according to the information and explanations given to us and based on our examination of the records, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company.

13. In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable. The details of such related party transactions have been disclosed in the Ind AS financial statements as required by the applicable Accounting Standards.

14. According to the information and explanations given to us and based on our examination of the records, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

15. According to the information and explanations given to us and based on our examination of the records, the Company has not entered into any non-cash transactions with Directors or persons connected with him.

16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **KALYANIWALLA & MISTRY LLP**  
Chartered Accountants  
(Firm's Registration No. 104607W/W100166)

**Roshni Marfatia**  
Partner  
(Membership No. 106548)

**MUMBAI, August 22, 2018**

## ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report to the Members of the Company on the Ind AS Financial Statements for the year ended June 30, 2018.

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of Procter & Gamble Hygiene and Health Care Limited ("the Company") as of June 30, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the "Act").

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditure of the Company are being made only in accordance with authorizations of Management and Directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.



**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls

over financial reporting were operating effectively as at June 30, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For **KALYANIWALLA & MISTRY LLP**  
**Chartered Accountants**  
(Firm's Registration No. 104607W/W100166)

**Roshni Marfatia**  
**Partner**

(Membership No. 106548)

**MUMBAI, August 22, 2018**

## Balance Sheet as at June 30, 2018

	Notes	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	25 011	28 571
Capital work-in-progress	4	2 148	4 084
Financial assets			
(i) Loans	6	4 201	5 096
(ii) Other financial assets	7	88	103
Deferred tax assets (Net)	15	2 298	2 627
Non-current tax assets (Net)		19 580	14 363
Other non-current assets	10	1 059	855
<b>Total non-current assets</b>		<b>54 385</b>	<b>55 699</b>
<b>Current assets</b>			
Inventories	8	12 361	17 735
Financial assets			
(i) Trade receivables	5	14 847	13 280
(ii) Cash and cash equivalents	9 (a)	39 235	10 244
(iii) Bank balances other than (ii) above	9 (b)	724	1 439
(iv) Loans	6	9 940	9 760
(v) Other financial assets	7	2 493	6 250
Other current assets	10	6 398	1 605
		<b>85 998</b>	<b>60 313</b>
Non-current assets held for sale	10 (a)	2 152	—
<b>Total current assets</b>		<b>88 150</b>	<b>60 313</b>
<b>Total assets</b>		<b>1 42 535</b>	<b>1 16 012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	11	3 246	3 246
Other equity	12	77 304	49 366
<b>Total equity</b>		<b>80 550</b>	<b>52 612</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	14	4 873	5 169
<b>Total non-current liabilities</b>		<b>4 873</b>	<b>5 169</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Trade payables			
Due to micro and small enterprises	16	231	324
Due to others	16	40 391	35 995
(ii) Other financial liabilities	13	1 927	2 696
Provisions	14	427	415
Current tax liabilities (Net)	17	10 419	12 071
Other current liabilities	18	3 717	6 730
<b>Total current liabilities</b>		<b>57 112</b>	<b>58 231</b>
<b>Total liabilities</b>		<b>61 985</b>	<b>63 400</b>
<b>Total equity and liabilities</b>		<b>1 42 535</b>	<b>1 16 012</b>

See accompanying notes to the financial statements

In terms of our report attached

**For KALYANIWALLA & MISTRY LLP**  
Chartered Accountants  
Firm Regn. No.: 104607W / W100166

**Roshni Marfatia**  
Partner  
M. No. 106548

Place : Mumbai  
Date : August 22, 2018

For and on behalf of Board of Directors

**R. A. Shah**  
Chairman

**Madhusudan Gopalan**  
Managing Director

**Prashant Bhatnagar**  
Chief Financial Officer

## Statement of Profit and Loss for the year ended June 30, 2018

	Notes	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Income</b>			
Revenue from operations	19	2 45 529	2 41 916
Other income	20	2 407	7 730
<b>Total income</b>		<b>2 47 936</b>	<b>2 49 646</b>
<b>Expenses</b>			
Cost of raw and packing materials consumed	21	54 483	61 252
Purchases of stock-in-trade (Traded Goods)		34 222	35 356
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	6 164	(5 111)
Excise duty		—	9 876
Employee benefits expense	23	11 523	11 410
Finance costs	24	532	1 042
Depreciation expense	4	5 237	5 974
Impairment losses	4.1	1 259	—
Other expenses	25	76 339	62 670
<b>Total expense</b>		<b>1 89 759</b>	<b>1 82 469</b>
<b>Profit before tax from operations</b>		<b>58 177</b>	<b>67 177</b>
Tax expense			
Current tax	26.1	20 646	25 226
Deferred tax	26.1	72	(1 322)
<b>Income tax expense</b>		<b>20 718</b>	<b>23 904</b>
<b>Profit for the year</b>		<b>37 459</b>	<b>43 273</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to Statement of Profit and Loss			
Re-measurement of the defined benefit plans	29.2.B	744	(1 189)
Income tax effect	26.2	(257)	411
<b>Total other comprehensive income for the year</b>		<b>487</b>	<b>(778)</b>
<b>Total comprehensive income for the year</b>		<b>37 946</b>	<b>42 495</b>
Earnings per equity share	28		
– Basic (in ₹)		115.40	133.31
– Diluted (in ₹)		115.40	133.31
Face Value of Equity Share (in ₹)		10.00	10.00

### See accompanying notes to the financial statements

In terms of our report attached

**For KALYANIWALLA & MISTRY LLP**  
Chartered Accountants  
Firm Regn. No.: 104607W / W100166

**Roshni Marfatia**  
Partner  
M. No. 106548

Place : Mumbai  
Date : August 22, 2018

For and on behalf of Board of Directors

**R. A. Shah**  
Chairman

**Madhusudan Gopalan**  
Managing Director

**Prashant Bhatnagar**  
Chief Financial Officer

## Statement of Cash Flows for the year ended June 30, 2018

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>A. Cash Flows from Operating Activities</b>		
<b>Profit before tax</b>	58 177	67 177
<b>Adjustments for:</b>		
Depreciation expense	5 237	5 974
Loss on disposal of property, plant and equipment	613	1 005
Finance costs	532	1 042
Allowance for doubtful receivables (Net of recovery)	1	21
Interest income	(2 005)	(7 478)
Impairment of property, plant and equipment	1 259	—
Net foreign exchange (gain)	(163)	(6)
Expense recognised in respect of equity settled share based payments	540	437
<b>Operating profit before working capital changes</b>	<b>64 191</b>	<b>68 172</b>
<b>Working capital adjustments</b>		
(Increase) / decrease in trade and other receivables	(1 653)	1 672
Decrease / (increase) in financial assets	5 342	(995)
Decrease / (increase) in inventories	5 374	(4 987)
(Increase) in other assets	(4 997)	(476)
Increase in trade and other payables	910	6 004
(Decrease) / increase in provisions	(315)	136
<b>Cash generated from operations</b>	<b>68 852</b>	<b>69 526</b>
Income taxes paid	(27 305)	(25 000)
<b>Net cash generated from operating activities</b>	<b>41 547</b>	<b>44 526</b>
<b>B. Cash Flows from Investing Activities</b>		
Interest received	1 146	9 087
Loans realised	9 004	31 000
Loans given	(9 000)	(20 000)
Payment to acquire property, plant and equipment	(3 494)	(4 413)
Proceeds from sale of property, plant and equipment	(317)	35
Net bank deposits (placed)	(48)	(42)
Changes in earmarked balances	763	(738)
<b>Net cash (used in) / generated from investing activities</b>	<b>(1 946)</b>	<b>14 929</b>

## Statement of Cash Flows for the year ended June 30, 2018

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>C. Cash Flows from Financing Activities</b>		
Dividend and dividend tax paid	(10 548)	(1 55 498)
Interest paid	(62)	(372)
<b>Net cash (used in) financing activities</b>	<b>(10 610)</b>	<b>(1 55 870)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>28 991</b>	<b>(96 415)</b>
Cash and cash equivalents at the beginning of the year	10 244	1 06 659
<b>Cash and cash equivalents at the end of the year (refer note 9(a))</b>	<b>39 235</b>	<b>10 244</b>

### Note:

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS 7) – Statement of Cash Flows.

### See accompanying notes to the financial statements

In terms of our report attached

**For KALYANIWALLA & MISTRY LLP**  
**Chartered Accountants**  
 Firm Regn. No.: 104607W / W100166

**Roshni Marfatia**  
**Partner**  
 M. No. 106548

**Place : Mumbai**  
**Date : August 22, 2018**

**For and on behalf of Board of Directors**

**R. A. Shah**  
**Chairman**

**Madhusudan Gopalan**  
**Managing Director**

**Prashant Bhatnagar**  
**Chief Financial Officer**



## Statement of Changes in Equity for the year ended June 30, 2018

	Amount ₹ in lakhs
<b>a. Equity share capital</b>	
Balance as at July 1, 2016	3 246
Changes in equity share capital during the year	—
<b>Balance as at June 30, 2017</b>	<b>3 246</b>
Changes in equity share capital during the year	—
<b>Balance as at June 30, 2018</b>	<b>3 246</b>

### b. Other equity

	Attributable to the equity share holders of the Company				
	Reserves & surplus				Total
	General reserve ₹ in lakhs	Securities premium reserve ₹ in lakhs	Share options outstanding account ₹ in lakhs	Retained earnings ₹ in lakhs	
<b>Balance as at July 1, 2016</b>	<b>30 959</b>	<b>7 519</b>	<b>354</b>	<b>1 23 100</b>	<b>1 61 932</b>
Profit for the year	—	—	—	43 273	43 273
Items of OCI for the year, net of tax					
Remeasurement benefit of defined benefit plans	—	—	—	(778)	(778)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>42 495</b>	<b>42 495</b>
Payment of dividends (refer note 39)	—	—	—	(1 29 194)	(1 29 194)
Payment of dividend distribution tax	—	—	—	(26 304)	( 26 304)
Recognition of share-based payments	—	—	437	—	437
<b>Balance as at June 30, 2017</b>	<b>30 959</b>	<b>7 519</b>	<b>791</b>	<b>10 097</b>	<b>49 366</b>
Profit for the year	—	—	—	37 459	37 459
Items of OCI for the year, net of tax					
Remeasurement benefit of defined benefit plans	—	—	—	487	487
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37 946</b>	<b>37 946</b>
Payment of dividends (refer note 39)	—	—	—	(8 764)	(8 764)
Payment of dividend distribution tax	—	—	—	(1 784)	(1 784)
Recognition of share-based payments	—	—	540	—	540
<b>Balance as at June 30, 2018</b>	<b>30 959</b>	<b>7 519</b>	<b>1 331</b>	<b>37 495</b>	<b>77 304</b>

See accompanying notes to the financial statements

In terms of our report attached

**For KALYANIWALLA & MISTRY LLP**  
Chartered Accountants  
Firm Regn. No.: 104607W / W100166

**Roshni Marfatia**  
Partner  
M. No. 106548

Place : Mumbai  
Date : August 22, 2018

For and on behalf of Board of Directors  
**R. A. Shah**  
Chairman  
**Madhusudan Gopalan**  
Managing Director

**Prashant Bhatnagar**  
Chief Financial Officer

## Notes to Financial Statements for the year ended June 30, 2018

### 1. Corporate information

Procter & Gamble Hygiene and Health Care Limited ('the Company') is a public company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. Its ordinary shares (Equity) are listed on two recognised stock exchanges in India. The registered office of the Company is located at P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (E), Mumbai - 400099.

The Company is engaged in manufacturing and selling of branded packaged fast moving consumer goods in the femcare and healthcare businesses. The Company's products are sold through retail operations including mass merchandisers, grocery stores, membership club stores, drug stores, department stores and high frequency stores. The Company has its manufacturing locations at Goa and Baddi in Himachal Pradesh, apart from third party manufacturing locations spread across India.

### 2. Significant accounting policies

#### 2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standard (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

#### 2.2 Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain items that are measured at fair values at the end of the reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 17, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

#### 2.3 Summary of Significant accounting policies

##### a. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks. Revenue is reduced for rebates and other similar allowances.

## Notes to Financial Statements for the year ended June 30, 2018

The Company's revenue till June 30, 2017 includes recovery of excise duty flows to the Company on its own account. This is for the reason that it is the liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax / value added tax (VAT) / Goods and Services Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

### **Sale of goods**

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Company; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Interest income**

Interest income is recorded using the Effective Interest Rate (EIR). Interest income is included in other income in the Statement of Profit and Loss.

### **b. Leasing**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### **The Company as a lessee**

Assets held under finance leases are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on the borrowing costs (refer note 2.3(d)).

Rental expenses from operating leases is generally recognised on a straight-line basis over the lease term of the relevant lease. Where the rentals are structured solely to increase in line with the expected general inflation to compensate for the lessor's expected inflationary cost increase, such increases are recognised in the year in which such benefits accrue. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## Notes to Financial Statements for the year ended June 30, 2018

### c. Foreign currencies

The financial statements are presented in Indian Rupees (₹ in lakhs), which is also the Company's functional currency.

#### Transaction and balances

Transactions in currencies other than the Company's functional currency i.e. (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period which they arise.

### d. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily takes a substantial period of time to get ready for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Profit and Loss in the period in which they are incurred.

### e. Employee benefits

#### i) Post-employment Benefits

##### a) Defined Contribution Plans:

The Company has Defined Contribution Plans for post employment benefits charged to the Statement of Profit and Loss, in the form of

- Provident Fund administered by the Regional Provident Fund Commissioner;
- Superannuation Fund as per Company policy administered by Company managed trust; and
- State Defined Contribution Plans: Employer's Contribution to Employees' State Insurance.

##### b) Defined Benefit Plans:

Funded Plan: The Company has Defined Benefit Plan for post employment benefits in the form of

- Gratuity for all employees administered through trust.

Unfunded Plan: The Company has unfunded Defined Benefit Plans in the form of Post Retirement Medical Benefits (PRMB) and Compensated Absences (plant technicians) as per its policy.

Liability for the above defined benefit plans is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit method.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the Statement of Profit and Loss in subsequent periods.

## Notes to Financial Statements for the year ended June 30, 2018

Past service costs are recognised in the Statement of Profit and Loss on the earlier of:

- ▶ The date of the plan amendment or curtailment, and
- ▶ The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- ▶ Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
  - ▶ Net interest expense or income
- ii) Liability for Compensated Absences and Leave Travel Allowance which are in the nature of short term benefits is provided for as per Company rules based on the undiscounted amount of benefits expected to be paid in exchange of services rendered.
- iii) Termination benefits and long service awards in terms of company policy are recognised as an expense as and when incurred.

### f. Share-based payment arrangements

Employees (including senior executives) of the company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### Equity-settled transactions

The Procter & Gamble Company, USA has an "Employee Stock Option Plan (ESOP)" whereby the specified employees covered by the plan are granted an option to purchase shares of the Ultimate Holding Company i.e. - The Procter & Gamble Company, USA at a fixed price (grant price) for a fixed period of time. The difference between the market price and grant price on the exercise of the stock options issued by the Ultimate Holding Company to the employees of the Company is charged in the year of exercise by the employees. Parent Company will recharge an amount equal to spread as on date of exercise of options.

The cost of equity-settled transactions is recognised in employee benefits expense (refer note 2.3(e)), together with a corresponding increase in equity (other reserves) over the period in which the service and performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. Recharge to parent company to the extent of fair value of options will be debited in equity reserves and any excess recharge above the fair value of options will be recognised as equity distribution from the Company.

#### Employee share purchase plan

The Procter & Gamble Company, USA has an "International Stock Ownership Plan (ISOP)" (employee share purchase plan) whereby specified employees of its subsidiaries have been given a right to purchase shares of the Ultimate Holding Company i.e. The Procter and Gamble Company, USA. Every employee who opts for the scheme contributes by way of payroll deduction up to a specified percentage (upto 15%) of base salary towards purchase of shares on a monthly basis. The Company contributes 50% of employee's contribution (restricted to 2.5% of his base salary) and charged to employee benefits expense. The expenses related ISOP are recognised immediately in the Statement of Profit and Loss since there are no vesting conditions attached to the scheme.

The expense in the Statement of Profit and Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.



## Notes to Financial Statements for the year ended June 30, 2018

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the Statement of Profit and Loss.

### g. Taxation

Income tax expense represents the sum of the current tax and deferred tax.

#### Current tax

Provision for current tax for the Company's financial year ended on June 30 is based on the results of the period July 1 to March 31 (later part of the fiscal year ended March 31) and for the balance and for the period April 1 to June 30 (beginning of the next fiscal year) as per the provisions of the Income Tax Act, 1961 and other applicable tax laws. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the year

Current and deferred tax are recognised in the Statement of Profit and Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### h. Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at acquisition cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is not depreciated. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## Notes to Financial Statements for the year ended June 30, 2018

Cost of Property, plant and equipment which are not ready for intended use, as on the Balance Sheet date, is shown as capital work-in-progress.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful life, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The management's estimate of useful lives are in accordance with Schedule II to the Companies Act, 2013 other than certain assets which are based on Company's expected usage pattern supported by technical assessment.

The estimated useful life of certain property, plant and equipment of the Company are as follows:

Asset Class	Useful lives
Buildings	20-30 years
Plant & machinery	10-15 years
Furniture and fixtures	3-15 years
Office equipment	3-15 years
Moulds & Dies	3-15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

### i. Impairment of property, plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its own carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal is recognised immediately in the Statement of Profit and Loss.

### j. Inventories

Inventories consist of raw and packing materials, stores and spares, work-in-progress, stock-in-trade and finished goods. Inventories are valued at lower of cost and net realisable value after providing for obsolescence and other losses where considered necessary. Cost of Inventories is determined on weighted average basis. Cost of manufactured finished goods and work-in-progress includes material cost determined on weighted average basis and also includes an appropriate portion of allocable overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## Notes to Financial Statements for the year ended June 30, 2018

### k. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed in the Notes. Contingent liabilities are disclosed for (1) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (2) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements as this may result in the recognition of income that may never be there.

### l. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liabilities (other than financial asset and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial asset and financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Profit and Loss.

### m. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- b) The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that does not meet the above conditions are subsequently measured at fair value.

#### Effective interest method

The effective interest is a method calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount in initial recognition.

Income is recognised on an effective interest basis for debt instruments. Interest income is recognised in Statement of Profit and Loss and is included in the "Other income" line item.

## Notes to Financial Statements for the year ended June 30, 2018

### **Impairment of financial assets**

The Company applies expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, trade receivables and other contractual rights to receive cash or other financial asset.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

For trade receivables or any contractual right to receive cash, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience with adjusted for forward-looking information.

### **Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in the Statement of Profit and Loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the Statement of Profit and Loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### **Foreign exchange gains and losses**

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortised cost, the exchange differences are recognised in Statement of Profit and Loss.

## Notes to Financial Statements for the year ended June 30, 2018

### n. Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

Financial liabilities that are not held-for-trading and are not designated as at fair value through profit or loss are measured at amortised cost at the end of the subsequent accounting period. The carrying amount of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the "Finance costs" line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount at initial recognition.

#### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instrument and are recognised in Statement of Profit and Loss.

#### Derecognition

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in Statement of Profit and Loss.

### o. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

### p. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments.



## Notes to Financial Statements for the year ended June 30, 2018

### q. Earnings Per Share

Basic earnings per share is computed by dividing the profit for the year after tax attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

### r. Claims

Claims against the Company not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

### s. Assets held for sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' if it is highly probable that they will be recovered primarily through sales rather than through continuing use. Subsequently, such non-current assets and disposal groups classified as held for sale are measured at lower of its carrying value and fair value less costs to sell. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit and loss. Non-current assets held for sale are not depreciated or amortised.

### t. Recent accounting pronouncements

#### ***Standards issued but not yet effective***

#### ***Ind AS 115: Revenue from Contracts with Customers***

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017, notifying Ind AS 115, 'Revenue from Contracts with Customers'. The Standard is applicable to the Company with effect from 1st July, 2018.

This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supercede the current revenue recognition standards Ind AS 18 Revenue and Ind AS 11 Construction Contracts when it becomes effective. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under Ind AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Company has completed its preliminary evaluation of the possible impact of Ind AS 115 based on which no significant impact is expected, other than additional disclosures as required by the new standard.

## 3. Critical accounting judgments and key sources of estimation uncertainty

### 3.1 Critical judgments in applying accounting policies

In the application of the Company's accounting policies, which are described in note 2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

## Notes to Financial Statements for the year ended June 30, 2018

### 3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### a. Useful lives of property, plant and equipment

As described at 2.3 (h) above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

#### b. Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 30.

#### c. Defined benefit obligation

The costs of providing pensions and other post-employment benefits are charged to the Statement of Profit and Loss in accordance with Ind AS 19 'Employee benefits' over the period during which benefit is derived from the employees' services. The costs are assessed on the basis of assumptions selected by the management. These assumptions include salary escalation rate, discount rates, expected rate of return on assets and mortality rates. The same is disclosed in Note 23, 'Employee benefits expense'.

#### d. Income taxes

The Company's tax jurisdiction is India. Significant judgments are involved in estimating budgeted profits for the purpose of paying advance tax, determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions (refer note 26).

## Notes to Financial Statements for the year ended June 30, 2018

### 4. Property, plant and equipment and capital work-in-progress

	Freehold land ₹ in lakhs	Buildings ₹ in lakhs	Plant & machinery ₹ in lakhs	Furniture and fixtures ₹ in lakhs	Office equipment ₹ in lakhs	Moulds & Dies ₹ in lakhs	Total ₹ in lakhs
<b>Gross Block</b>							
<b>At July 1, 2016</b>	752	7 590	24 865	717	1 811	425	36 160
Additions	—	199	2 630	62	513	438	3 842
Disposals	—	(1)	(2 293)	(47)	(55)	—	(2 396)
<b>At June 30, 2017</b>	752	7 788	25 202	732	2 269	863	37 606
Additions	—	217	4 471	306	212	178	5 384
Disposals	—	(3)	(394)	(10)	—	—	(407)
Adjustment / Reclassification #	—	8	1 513	37	313	178	2 049
Reclassified as assets held for sale	(309)	(2 117)	(1 955)	(75)	—	(180)	(4 636)
<b>At June 30, 2018</b>	443	5 893	28 837	990	2 794	1 039	39 996
<b>Accumulated depreciation</b>							
<b>At July 1, 2016</b>	—	439	3 245	232	464	37	4 417
Depreciation charge for the year	—	475	4 487	117	660	235	5 974
Disposals	—	— *	(1 282)	(33)	(41)	—	(1 356)
<b>At June 30, 2017</b>	—	914	6 450	316	1 083	272	9 035
Depreciation charge for the year	—	479	3 967	181	382	228	5 237
Disposals	—	—	(109)	(2)	—	—	(111)
Adjustment / Reclassification #	—	8	1 513	37	313	178	2 049
Eliminated on reclassification as held for sale	—	(293)	(784)	(28)	—	(120)	(1 225)
<b>At June 30, 2018</b>	—	1 108	11 037	504	1 778	558	14 985
<b>Impairment losses recognised in profit or loss</b>							
<b>At July 1, 2016</b>	—	—	—	—	—	—	—
Impairment for the year	—	—	—	—	—	—	—
<b>At June 30, 2017</b>	—	—	—	—	—	—	—
Impairment losses recognised in profit or loss	—	984	225	15	—	35	1 259
Eliminated on reclassification as held for sale	—	(984)	(225)	(15)	—	(35)	(1 259)
<b>At June 30, 2018</b>	—	—	—	—	—	—	—
<b>Net carrying amount</b>							
<b>At June 30, 2018</b>	443	4 785	17 800	486	1 016	481	25 011
<b>At June 30, 2017</b>	752	6 874	18 752	416	1 186	591	28 571
<b>At July 1, 2016</b>	752	7 151	21 620	485	1 347	388	31 743

	At June 30, 2018	At June 30, 2017
<b>Capital work-in-progress</b>		
	₹ in lakhs	₹ in lakhs
	2 148	4 084
	<u>2 148</u>	<u>4 084</u>

#### Notes:

None of the above assets are mortgaged / hypothecated as security by the Company.

The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in note 34.

# Adjustments comprise of reclassification between the gross block and accumulated depreciation.

\* Denotes amount less than ₹ 50 000.

## Notes to Financial Statements for the year ended June 30, 2018

### 4.1 Impairment losses recognised

Certain Property, Plant and Equipment have been tested for impairment and a loss amounting to ₹ 1 259 lakhs has been recognized in the Statement of Profit and Loss. These were rendered redundant due to Company moving its manufacturing facility from one location to another. The said assets are now being classified as 'Held for sale' in note 10(a).

The impairment losses on non-financial assets have been included in the Statement of Profit and Loss as "Impairment losses" line item.

### 5. Trade receivables

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Unsecured, considered good	14 847	13 280
Doubtful	146	145
	<b>14 993</b>	<b>13 425</b>
Less: Allowance for doubtful receivables	(146)	(145)
	<b>14 847</b>	<b>13 280</b>

The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as per the provision matrix.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

#### Movement in the allowance for doubtful receivables

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Balance at the beginning of the year	145	132
Amounts written off during the year (net)	—	(8)
Changes in allowance for doubtful receivables	1	21
<b>Balance at the end of the year</b>	<b>146</b>	<b>145</b>

### 6. Loans

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Unsecured considered good</b>		
<b>Non-current</b>		
Security deposits	503	508
Loans to related parties (refer note (a), (c) and note 32)	—	19
Loan to employees (refer note (c))	3 698	4 569
	<b>4 201</b>	<b>5 096</b>
<b>Current</b>		
Security deposits	258	5
Loans to related parties (refer note (b), (c) and note 32)	9 000	9 004
Loan to employees (refer note (c))	682	751
	<b>9 940</b>	<b>9 760</b>

#### Notes:

- Non-current loans to related parties includes loan to key managerial personnel Nil lakhs (June 30, 2017: ₹ 19 lakhs).
- Current loans to related parties includes:
  - Loan to fellow subsidiaries of the Ultimate Holding Company ₹ 9 000 lakhs (June 30, 2017: ₹ 9 000 lakhs).
  - Loan to key management personnel Nil lakhs (June 30, 2017: ₹ 4 lakhs).
- Loans given to employees / key managerial personnel as per the Company's policy are not considered for the purposes of disclosure under Section 186 (4) of the Companies Act, 2013.

## Notes to Financial Statements for the year ended June 30, 2018

### 7. Other financial assets

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Non-current</b>		
Bank deposits with original maturity more than 12 months	69	88
Interest accrued on deposits with banks	19	15
	<b>88</b>	<b>103</b>
<b>Current</b>		
Receivable on account of sale of scrap	10	42
Due from related parties (refer note 32)	1 087	5 667
Interest accrued on loans to related parties (refer note 32)	1 347	520
Interest accrued on deposits with banks	49	21
	<b>2 493</b>	<b>6 250</b>

### 8. Inventories

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Inventories (lower of cost and net realisable value)</b>		
Raw materials (Including packing materials)	3 055	2 090
Work-in-progress	130	137
Finished goods	4 238	9 868
Stock-in-trade {Includes in transit ₹ 489 lakhs (June 30, 2017: ₹ 1 297 lakhs)}	3 642	4 169
Consumable stores and spares	1 296	1 471
	<b>12 361</b>	<b>17 735</b>

The cost of inventories recognised as an expense during the year is disclosed in note 21, 22 and 25.

### 9(a). Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting year as shown in the Statement of Cash Flows can be reconciled to the related items in the Balance Sheet as follows:

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Balances with banks:		
— In current accounts	4 002	1 418
— Deposits with original maturity of less than three months	35 233	8 826
<b>Cash and cash equivalents as per Balance Sheet</b>	<b>39 235</b>	<b>10 244</b>
<b>Cash and cash equivalents as per Statement of Cash Flows</b>	<b>39 235</b>	<b>10 244</b>



## Notes to Financial Statements for the year ended June 30, 2018

### 9(b). Other bank balances

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Earmarked accounts		
— Unpaid / Unclaimed dividend account	346	1 069
— ISOP Account	229	269
— Other earmarked accounts (deposits with sales tax authorities)#	—	—
Bank deposits with original maturity more than 3 months	149	101
	<b>724</b>	<b>1 439</b>

# denotes amount less than ₹ 50 000

### 10. Other assets

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Non-current</b>		
Prepaid expenses	14	14
Advance to vendors	40	40
Other loans and advances (refer note (a) below)	1 005	801
Doubtful loans and advances	1 276	1 062
Less : Provision for doubtful loans and advances	(1 276)	(1 062)
	<b>1 059</b>	<b>855</b>
<b>Current</b>		
Prepaid expenses	2	4
Other loans and advances (includes advances to vendors)	509	274
Advance to employees (refer note (b) below)	56	129
Balances with government authorities (includes Service Tax and Cenvat credit receivable)	5 831	1 198
	<b>6 398</b>	<b>1 605</b>

(a) Includes amounts deposited with Excise, Sales Tax and other authorities as demanded, pending resolution of disputes.

(b) Advances given to employees as per the Company's policy are not considered for the purposes of disclosure under Section 186 (4) of the Companies Act, 2013.

### 10(a). Non current assets held for sale

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Freehold land	309	—
Buildings	840	—
Plant & machinery	946	—
Furniture and fixtures	32	—
Moulds & Dies	25	—
	<b>2 152</b>	<b>—</b>

(a) Certain Property, Plant and Equipment (PPE) has been rendered redundant due to the Company moving its manufacturing facility from one location to another. The Company intends to dispose off the said PPE and is actively engaged in identifying a prospective buyer. The sale is expected to be completed in the next 12 months. These assets have been classified as held for sale as at June 30, 2018.

(b) Further, the carrying value of assets amounting to ₹ 3 411 lakhs have been brought down to its fair value and an impairment loss of ₹ 1 259 lakhs has been recognised in the Statement of Profit and Loss.

## Notes to Financial Statements for the year ended June 30, 2018

### 11. Equity share capital

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Authorised share capital:</b>		
3 50 00 000 fully paid equity shares of ₹ 10 each	3 500	3 500
<b>Issued and subscribed share capital:</b>		
3 24 60 736 fully paid equity shares of ₹ 10 each	3 246	3 246
	<b>3 246</b>	<b>3 246</b>

#### 11.1 Fully paid equity shares

	Number of shares	Share Capital ₹ in lakhs
<b>Balance at June 30, 2017</b>	<b>3 24 60 736</b>	<b>3 246</b>
Movements	—	—
<b>Balance at June 30, 2018</b>	<b>3 24 60 736</b>	<b>3 246</b>

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

No shares are bought back by the Company during the period of 5 years immediately preceding the Balance Sheet date.

No shares are allotted as fully paid up by way of bonus shares during the period of 5 years immediately preceding the Balance Sheet date.

No shares are reserved for issue under options and contracts / commitments for the sale of shares / disinvestment.

No shares are allotted as fully paid up pursuant to contracts without being payment received in cash during the period of 5 years immediately preceding the Balance Sheet date.

#### 11.2 Details of shares held by ultimate holding company / holding company and / or their subsidiaries / associates

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Ultimate Holding Company</b>		
The Procter & Gamble Company, USA	—	—
<b>Holding Company</b>		
Procter & Gamble Overseas India BV, The Netherlands	2 231	2 231
<b>Subsidiaries of the Ultimate Holding Company</b>		
Temple Trees Impex & Investment Pvt. Ltd.	62	62

#### 11.3 Details of shareholders holding more than 5% equity shares in the Company

	As at June 30, 2018 Number of shares held	% holding of equity shares	As at June 30, 2017 Number of shares held	% holding of equity shares
<i>Equity shares of ₹ 10 each fully paid</i>				
Procter & Gamble Overseas India BV, The Netherlands	2 23 10 090	68.73	2 23 10 090	68.73

## Notes to Financial Statements for the year ended June 30, 2018

### 12. Other equity

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Reserves &amp; surplus</b>		
General reserve	30 959	30 959
Securities premium reserve	7 519	7 519
Share options outstanding account	1 331	791
Retained earnings	37 495	10 097
	<b>77 304</b>	<b>49 366</b>

#### 12.1 General reserve

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Balance at the beginning of year	30 959	30 959
Transferred from surplus in Statement of Profit and Loss	—	—
<b>Balance at the end of year</b>	<b>30 959</b>	<b>30 959</b>

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to the Statement of Profit and Loss.

#### 12.2 Securities premium reserve

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Balance at the beginning of year	7 519	7 519
Movements	—	—
<b>Balance at the end of year</b>	<b>7 519</b>	<b>7 519</b>

The amount received in excess of face value of the equity shares is recognised in securities premium reserve. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

#### 12.3 Share options outstanding account

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Balance at the beginning of year	791	354
Arising on share-based compensation	540	437
<b>Balance at the end of year</b>	<b>1 331</b>	<b>791</b>

The above reserve relates to share options granted by the Ultimate Holding Company to specific employees of its subsidiaries under its employee stock option plan. Further information about share-based payments to employees is set out in note 31.

## Notes to Financial Statements for the year ended June 30, 2018

### 12.4 Retained earnings

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Balance at the beginning of year	10 097	1 23 100
Profit attributable to the owners of the Company	37 459	43 273
Other comprehensive income arising from remeasurement of defined benefit obligation (net of income tax)	487	(778)
Payment of interim / final dividend on equity shares (refer note 39)	(8 764)	(1 29 194)
Dividend distribution tax	(1 784)	(26 304)
<b>Balance at the end of year</b>	<b>37 495</b>	<b>10 097</b>

This Reserve represents the cumulative profits of the Company and effects of remeasurement of defined benefit obligations. This Reserve can be utilised in accordance with the provisions of the Companies Act, 2013.

In November 2017, dividend of ₹ 27 per share (total dividend including tax thereon ₹ 10 548 lakhs) was paid to holders of fully paid equity shares. In November 2016, the final dividend paid was ₹ 36 per share (total dividend including tax thereon ₹ 14 065 lakhs).

In June, 2017, an interim dividend of ₹ 362 per share (total dividend including tax thereon ₹ 1 41 433 lakhs) was paid to holders of fully paid equity shares.

### 13. Other financial liabilities

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Current</b>		
Finance lease obligation payable	209	209
Payables for property, plant and equipment	1 365	1 411
Deposits from customers and others	7	7
Unpaid / Unclaimed dividend #	346	1 069
	<b>1 927</b>	<b>2 696</b>

# There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

### 14. Provisions

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Employee benefits (refer note below)	5 300	5 584
	<b>5 300</b>	<b>5 584</b>
Current	427	415
Non-current	4 873	5 169
	<b>5 300</b>	<b>5 584</b>

The provision for employee benefits includes post retirement medical benefits (PRMB), compensated absences and gratuity. The increase / decrease in the carrying amount of the provision for the current year results from benefits being paid in the current year. For other disclosures refer note 29.

## Notes to Financial Statements for the year ended June 30, 2018

### 15. Deferred tax assets (Net)

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Deferred tax assets	3 624	3 424
Deferred tax liabilities	(1 326)	(797)
	<b>2 298</b>	<b>2 627</b>

#### Deferred tax assets / (liabilities) in relation to:

	Opening Balance ₹ in lakhs	Recognised in profit or loss ₹ in lakhs	Recognised in other comprehensive income ₹ in lakhs	Closing Balance ₹ in lakhs
<b>2017-2018</b>				
On fiscal allowances in property, plant and equipment	(797)	(529)	—	(1 326)
Voluntary retirement scheme	471	72	—	543
Disallowance u/s 43 B of the Income Tax Act, 1961	1 637	330	(257)	1 710
Other temporary differences	1 316	55	—	1 371
	<b>2 627</b>	<b>(72)</b>	<b>(257)</b>	<b>2 298</b>
<b>2016-2017</b>				
On fiscal allowances in property, plant and equipment	(1 380)	583	—	(797)
Voluntary retirement scheme	398	73	—	471
Disallowance u/s 43 B of the Income Tax Act, 1961	790	436	411	1 637
Other temporary differences	1 086	230	—	1 316
	<b>894</b>	<b>1 322</b>	<b>411</b>	<b>2 627</b>

### 16. Trade payables

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Due to micro and small enterprises (refer note 36)	231	324
Due to others	40 391	35 995
	<b>40 622</b>	<b>36 319</b>

### 17. Current tax liabilities (Net)

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Income tax payable	10 419	12 071
	<b>10 419</b>	<b>12 071</b>

### 18. Other current liabilities

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Superannuation	12	13
Advance received for transfer of leasehold land	1 137	758
Taxes and other liabilities (including statutory remittances, excise and sales tax payable)	2 568	5 959
	<b>3 717</b>	<b>6 730</b>



## Notes to Financial Statements for the year ended June 30, 2018

### 19. Revenue from operations

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Sale of products*	2 45 522	2 41 856
Other operating revenues		
Scrap sales	7	60
	<u>2 45 529</u>	<u>2 41 916</u>

\* Sale of products for current year is net of Goods and Services Tax (GST). However, previous year is gross of excise duty.

### 20. Other Income

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Interest income earned on:</b>		
Bank deposits	1 235	5 926
Loan to related parties (refer note 32)	770	1 552
Other financial assets carried at amortised cost	168	202
	<u>2 173</u>	<u>7 680</u>
<b>Other non-operating income (net of expenses directly attributable to such income)</b>		
Miscellaneous income	234	50
	<u>234</u>	<u>50</u>
<b>Total</b>	<u>2 407</u>	<u>7 730</u>

### 21. Cost of raw and packing materials consumed

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Inventories at the beginning of year	2 090	2 041
Add: Purchases	55 448	61 301
	<u>57 538</u>	<u>63 342</u>
Less: Inventories at the end of year	3 055	2 090
Cost of raw and packing materials consumed	<u>54 483</u>	<u>61 252</u>

## Notes to Financial Statements for the year ended June 30, 2018

### 22. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Inventories at the beginning of year:		
Finished Goods	9 868	5 090
Stock-in-Trade	4 169	3 460
Work-in-Progress	137	513
	<b>14 174</b>	<b>9 063</b>
Inventories at the end of year:		
Finished Goods	4 238	9 868
Stock-in-Trade	3 642	4 169
Work-in-Progress	130	137
	<b>8 010</b>	<b>14 174</b>
<b>Net Decrease / (Increase)</b>	<b>6 164</b>	<b>(5 111)</b>

### 23. Employee benefits expense

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Salaries and wages*	9 584	9 071
Contribution to provident and other funds (refer note 29)	1 417	1 232
Share-based payment to employees (refer note 31)	831	1 089
Staff welfare expense	1 017	1 198
Recovery of employee cost cross charged by related parties (refer note 37)	(1 326)	(1 180)
	<b>11 523</b>	<b>11 410</b>

\* Salaries and Wages includes ₹ 58 lakhs (Previous year: ₹ 302 lakhs) for expenditure on Voluntary Retirement Scheme.

### 24. Finance costs

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Interest costs:</b>		
Interest expense on trade payables (refer note 36)	52	44
Interest on income tax	—	210
Interest on entry tax	116	177
Net interest on the net defined benefit liability (refer note 29)	354	267
Other interest expense	10	344
	<b>532</b>	<b>1 042</b>

## Notes to Financial Statements for the year ended June 30, 2018

### 25. Other expenses

	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs
Consumption of store and spares	668	841
Processing charges	8 017	6 700
Power and fuel	1 182	1 123
Freight, transport, warehousing and distribution charges	6 346	7 148
Rent	4 329	2 477
Turnover and Resale Tax	(135)	—
Rates and taxes	12	20
Insurance	37	54
Repairs and maintenance		
Plant and machinery	423	944
Buildings	—	4
Others	130	123
Trade incentives	1 814	1 804
Advertising expenses	24 238	18 568
Royalty	11 972	10 540
Business process outsourcing expenses	4 294	2 659
Travelling and conveyance	1 640	1 073
Communication costs	362	506
Computer expenses	316	433
Legal and professional fees	3 119	3 779
Directors commission	51	33
Payment to auditors (refer note 25.1)	108	147
Exchange differences (net)	743	(178)
Inventory written off (net of insurance claims recovered)	509	528
Allowance for doubtful receivables	1	21
Loss on sale of property, plant and equipment (net)	613	1 005
Miscellaneous expenses	5 900	4 600
Recovery of Expenses shared by related parties (refer note 37)	(350)	(2 282)
	<b>76 339</b>	<b>62 670</b>

#### 25.1 Payments to auditors:

	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs
<b>(i) To statutory auditors</b>		
For audit	81	107
For other services	16	19
Reimbursement of expenses	3	12
<b>(ii) To cost auditors for cost audit</b>	8	9
	<b>108</b>	<b>147</b>

#### 25.2 Expenditure incurred and paid during the year for corporate social responsibility

1 220 1 080

## Notes to Financial Statements for the year ended June 30, 2018

### 26. Income tax expense

#### 26.1 Income tax recognised in Statement of profit and loss

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Current tax</b>		
In respect of the current year	20 646	24 674
In respect of prior years	—	552
	<b>20 646</b>	<b>25 226</b>
<b>Deferred tax</b>		
In respect of the current year	685	(1 257)
In respect of prior years	(613)	(65)
	<b>72</b>	<b>(1 322)</b>
<b>Total income tax expense recognised in the current year</b>	<b>20 718</b>	<b>23 904</b>

The income tax expense for the year can be reconciled to the accounting profit as follows:

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Profit before tax</b>	<b>58 177</b>	<b>67 177</b>
Income tax expense calculated at 34.692% (2016-2017: 34.608%)	20 183	23 249
Effect of expenses that are not deductible in determining taxable profits	1 148	168
	<b>21 331</b>	<b>23 417</b>
Adjustments recognised in the current year in relation to the current tax of prior years	(613)	487
<b>Income tax expense recognised in Statement of Profit and Loss</b>	<b>20 718</b>	<b>23 904</b>

The tax rate used for 2017-18 is a weighted average of the corporate tax rate of 34.608% applicable till March 31, 2018 and 34.944% applicable from April 1, 2018. The tax rate used for 2016-17 is the corporate tax rate of 34.608% applicable under the Indian laws.

#### 26.2 Income tax recognised in other comprehensive income

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Deferred tax</b>		
Arising on expense recognised in other comprehensive income		
Remeasurement of defined benefit obligations	257	(411)
	<b>257</b>	<b>(411)</b>
<b>Total income tax recognised in other comprehensive income not to be reclassified to Statement of Profit and Loss</b>	<b>257</b>	<b>(411)</b>

## Notes to Financial Statements for the year ended June 30, 2018

### 27. Segment information

#### 27.1 Products from which reportable segments derive their revenues

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or provided. The directors of the Company have chosen to organise the Company around differences in products and services.

Specifically, the Company's operating segments under Ind AS 108 are as follows:

- Health care products - Comprising of Ointment and creams, Cough Drops and Tablets.
- Hygiene products - Comprising of Feminine Hygiene products and other skin care hygiene products.

For financial statements presentation purposes, these individual operating segments have been aggregated into a single primary reportable segment i.e. manufacturing, trading and marketing of Health and Hygiene Products under Ind AS 108 taking into the account the following factors:

- these operating segments have similar economic characteristics;
- these operating segments have similar long-term gross profit margins;
- the nature of the products and production processes are similar; and
- the methods used to distribute the products to the customers are the same.

#### 27.2 Segment revenues and results

	Segment revenue		Segment profit	
	Year ended June 30, 2018	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
Health and hygiene	2 45 529	2 41 916	56 302	60 489
<b>Total operations</b>	<b>2 45 529</b>	<b>2 41 916</b>	<b>56 302</b>	<b>60 489</b>
Other income			2 407	7 730
Finance costs			(532)	(1 042)
<b>Profit before tax</b>			<b>58 177</b>	<b>67 177</b>

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2.3(o). Segment profit represents the profit before tax earned by each operating segment, other income as well as finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

#### 27.3 Segment assets and liabilities

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Segment assets</b>		
Health and hygiene	1 42 535	1 16 012
<b>Total segment assets</b>	<b>1 42 535</b>	<b>1 16 012</b>
<b>Segment liabilities</b>		
Health and hygiene	61 985	63 400
<b>Total segment liabilities</b>	<b>61 985</b>	<b>63 400</b>



## Notes to Financial Statements for the year ended June 30, 2018

### 27.4 Other segment information

	Depreciation expense		Capital Expenditure	
	Year ended June 30, 2018	Year ended June 30, 2017	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
Health and hygiene	5 237	5 974	3 494	4 413
	<u>5 237</u>	<u>5 974</u>	<u>3 494</u>	<u>4 413</u>

### 27.5 Revenue from major products

The following is an analysis of the Company's revenue from continuing operations from its major products.

	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs
Ointments and Creams	45 604	41 222
Cough Drops	27 833	26 498
Tablets	5 186	5 055
Other hygiene products	1 66 906	1 69 141
	<u>2 45 529</u>	<u>2 41 916</u>

### 27.6 Geographical information

The Company operates in two principal geographical areas - India (country of domicile) and outside India.

The Company's revenue from external customers by location of operations and information about its segment assets by location of assets are detailed below.

	Revenue from external customers		Segment assets	
	Year ended June 30, 2018	Year ended June 30, 2017	As at June 30, 2018	As at June 30, 2017
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
India	2 42 094	2 39 585	1 42 535	1 16 012
Outside India	3 435	2 331	—	—
	<u>2 45 529</u>	<u>2 41 916</u>	<u>1 42 535</u>	<u>1 16 012</u>

There is no transactions with single external customer which amounts to 10% or more of the Company's revenue.

### 28. Earnings per share

	Year ended June 30, 2018	Year ended June 30, 2017
	₹ per share	₹ per share
<b>Basic and diluted earnings per share</b>		
Total basic earnings per share (face value ₹ 10)	115.40	133.31
Total diluted earnings per share (face value ₹ 10)	115.40	133.31

## Notes to Financial Statements for the year ended June 30, 2018

### 28.1 Basic and Diluted earnings per share

The earnings and weighted average number of equity shares used in the calculation of basic and diluted earnings per share are as follows:

	Year ended June 30, 2018	Year ended June 30, 2017
	₹ in lakhs	₹ in lakhs
Earnings used in calculation of basic and diluted earnings per share from operations	37 459	43 273
	<hr/>	<hr/>
	Year ended June 30, 2018	Year ended June 30, 2017
	3 24 60 736	3 24 60 736
	<hr/>	<hr/>

### 29. Employee benefit plans

#### 29.1 Defined contribution plans

The Company operates defined contribution provident fund, superannuation fund and employees' state insurance plan for all qualifying employees of the Company. Where employees leave the plan, the contributions payable by the Company is reduced by the amount of forfeited contributions.

The employees of the Company are members of a state-managed employer's contribution to employees' state insurance plan, provident fund operated by the government and superannuation fund which is administered through a trust that is legally separated from the Company. The assets of the plan is held separately from those of the Company in funds under the control of trustees. The Company is required to contribute a specific percentage of payroll costs to the contribution schemes to fund the benefit. The only obligation of the Company with respect to the contribution plan is to make the specified contributions.

The total expense recognised in the statement of profit and loss of ₹ 843 lakhs (for the year ended June 30, 2017: ₹ 786 lakhs) for provident fund, ₹ 136 lakhs (for the year ended June 30, 2017: ₹ 153 lakhs) for superannuation fund represent contributions payable to these plans by the Company at rates specified in the rules of the plans. As at June 30, 2018, contributions of ₹ 12 lakhs (as at June 30, 2017: ₹ 13 lakhs) due in respect of 2017-2018 (2016-2017) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting periods.

#### 29.2 Defined benefit plans

##### a) Gratuity Plan (Funded)

The Company sponsors funded defined benefit gratuity plan for all eligible employees of the Company. The Company's defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered trust. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is administered by a separate trust that is legally separated from the Company. The board of the trust is composed of representatives from both employer and employees. The board of the trust is required by law and by its articles of association to act in the interest of the trust and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employer. The board of the trust is responsible for the investment policy with regard to the assets of the trust.

##### b) Post Retirement Medical Benefit (PRMB) (Unfunded)

The Company provides certain post-employment medical benefits to employees. Under the scheme, employees get medical benefits subject to certain limits of amount, periods after retirement and types of benefits, depending on their grade at the time of retirement. Employees separated from the Company as part of early separation scheme are also covered under the scheme. The liability for post retirement medical scheme is based on an independent actuarial valuation.

## Notes to Financial Statements for the year ended June 30, 2018

### c) *Compensated absences for Plant technicians (Unfunded)*

The Company also provides for compensated absences for plant technicians which allows for encashment of leave on termination / retirement of service or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The Company makes provision for compensated absences based on an actuarial valuation carried out at the end of the year.

These plans typically expose the Company to actuarial risks such as: Investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality rate of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plans liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase on the salary of plan participants will increase the plans liability.

In respect of the plans, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at June 30, 2018. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

### A. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuations as at	
	June 30, 2018	June 30, 2017
<b>Discount rate</b>		
Gratuity plan (funded)	8.00%	7.00%
Compensated absence plan (unfunded)	8.00%	7.00%
Post retirement medical benefit (PRMB) (unfunded)	8.00%	7.00%
<b>Expected rate of salary increase</b>		
Gratuity plan (funded)	9.00%	9.00%
Compensated absence plan (unfunded)	9.00%	9.00%
Post retirement medical benefit (PRMB) (unfunded)	NA	NA
<b>Average longevity at retirement age for current beneficiaries of the plan (years)</b>		
Post retirement medical benefit (PRMB) (unfunded)	13.17	12.49

## Notes to Financial Statements for the year ended June 30, 2018

### B. Amounts recognised in the Statement of Profit and Loss in respect of these defined benefit plans are as follows:

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Gratuity Plan (Funded)</b>		
Service costs:		
Current service cost	438	293
Net interest expense	323	238
<b>Components of defined benefit costs recognised in statement of profit and loss (A)</b>	<b>761</b>	<b>531</b>
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(84)	— <sup>#</sup>
Actuarial (gains) / losses arising from changes in assumptions	(704)	1 107
Actuarial (gains) / losses arising from changes in experience adjustments	(11)	56
<b>Components of defined benefit costs recognised in other comprehensive income (B)</b>	<b>(799)</b>	<b>1 163</b>
<b>Total (C = (A+B))</b>	<b>(38)</b>	<b>1 694</b>
# denotes amount less than ₹ 50 000		
<b>Compensated absence plan (Unfunded)</b>		
Service costs:		
Current service cost	19	11
Net interest expense	10	8
Immediate recognition of (gains) / losses – other long term employee benefit plans	(29)	30
<b>Components of defined benefit costs recognised in statement of profit and loss (D)</b>	<b>—</b>	<b>49</b>
<b>Post retirement medical benefit (PRMB) (Unfunded)</b>		
Service costs:		
Current service cost	12	8
Net interest expense	21	21
<b>Components of defined benefit costs recognised in statement of profit and loss (E)</b>	<b>33</b>	<b>29</b>
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in assumptions	(29)	51
Actuarial (gains) / losses arising from changes in experience adjustments	84	(25)
<b>Components of defined benefit costs recognised in other comprehensive income (F)</b>	<b>55</b>	<b>26</b>
<b>Total (G = (E+F))</b>	<b>88</b>	<b>55</b>
<b>Total defined benefit costs recognised in Statement of Profit and Loss</b>	<b>794</b>	<b>609</b>
<b>Total defined benefit costs recognised in Other Comprehensive Income</b>	<b>(744)</b>	<b>1 189</b>

The current service cost for the year are included in the 'Employee benefits expense' line item in the Statement of Profit and Loss.

The net interest expenses for the year are included in the 'Finance costs' line item in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in Other Comprehensive Income.

## Notes to Financial Statements for the year ended June 30, 2018

### C. The amount included in the Balance Sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Gratuity Plan (Funded)</b>		
Present value of funded defined benefit obligation	5 512	5 753
Fair value of plan assets	(1 048)	(1 001)
<b>Net liability arising from defined benefit obligation</b>	<b>4 464</b>	<b>4 752</b>
<b>Compensated absence plan (Unfunded)</b>		
Present value of funded defined benefit obligation	147	147
<b>Net liability arising from defined benefit obligation</b>	<b>147</b>	<b>147</b>
<b>Post retirement medical benefit (PRMB) (Unfunded)</b>		
Present value of funded defined benefit obligation	284	307
<b>Net liability arising from defined benefit obligation</b>	<b>284</b>	<b>307</b>

### D. Movement in the present value of the defined benefit obligation are as follows:

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Gratuity Plan (Funded)</b>		
Opening defined benefit obligation	5 753	4 182
Current service cost	438	293
Interest cost	389	318
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in assumptions	(704)	1 107
Actuarial (gains) / losses arising from changes in experience adjustments	(11)	56
Benefits paid	(353)	(203)
<b>Closing defined benefit obligation</b>	<b>5 512</b>	<b>5 753</b>
<b>Compensated absence plan (Unfunded)</b>		
Opening defined benefit obligation	147	101
Current service cost	19	11
Interest cost	10	8
Immediate recognition of (gains) / losses – other long term employee benefit plans	(29)	30
Benefits paid	— <sup>#</sup>	(3)
<b>Closing defined benefit obligation</b>	<b>147</b>	<b>147</b>

# denotes amount less than ₹ 50 000



## Notes to Financial Statements for the year ended June 30, 2018

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Post retirement medical benefit (PRMB) (Unfunded)</b>		
Opening defined benefit obligation	307	273
Current service cost	12	8
Interest cost	21	21
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in assumptions	(29)	51
Actuarial (gains) / losses arising from changes in experience adjustments	84	(25)
Past service cost - plan amendments	(94)	—
Benefits paid	(17)	(21)
<b>Closing defined benefit obligation</b>	<b>284</b>	<b>307</b>

### E. Movement in the fair value of the plan assets are as follows:

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Gratuity Plan</b>		
Opening fair value of plan assets	1 001	1 124
Interest Income	66	80
Remeasurement gain / (loss):		
Return on plan assets (excluding amounts included in net interest expense)	84	— <sup>#</sup>
Employer contributions	250	—
Benefits paid	(353)	(203)
<b>Closing fair value of plan assets</b>	<b>1 048</b>	<b>1 001</b>

# denotes amount less than ₹ 50 000

### F. The fair value of the plan assets for plan at the end of the reporting year for each category, are as follows:

	Gratuity Plan	
	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
High quality Corporate Bonds (including Public Sector Unit)	379	420
Government of India Securities (Central and State)	133	151
Cash (including Special Deposit Scheme)	408	400
Private Sector Unit	128	30
<b>Total</b>	<b>1 048</b>	<b>1 001</b>

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on plan assets was ₹ 150 lakhs (for the year ended June 30, 2017: ₹ 80 lakhs).

Significant actuarial assumptions of the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

## Notes to Financial Statements for the year ended June 30, 2018

### Gratuity Plan (Funded)

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by ₹ 309 lakhs (increase by ₹ 336 lakhs) (as at June 30, 2017: decrease by ₹ 343 lakhs (increase by ₹ 375 lakhs)).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by ₹ 331 lakhs (decrease by ₹ 307 lakhs) (as at June 30, 2017: increase by ₹ 367 lakhs (decrease by ₹ 339 lakhs)).

### Compensated absence plan (Unfunded)

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by ₹ 10 lakhs (increase by ₹ 11 lakhs) (as at June 30, 2017: decrease by ₹ 10 lakhs (increase by ₹ 12 lakhs)).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by ₹ 11 lakhs (decrease by ₹ 10 lakhs) (as at June 30, 2017: increase by ₹ 11 lakhs (decrease by ₹ 10 lakhs)).

### Post retirement medical benefit (PRMB)

If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by ₹ 13 lakhs (increase by ₹ 14 lakhs) (as at June 30, 2017: decrease by ₹ 25 lakhs (increase by ₹ 29 lakhs)).

If the expected medical inflation rate increases (decreases) by 0.5%, the defined benefit obligation would increase by ₹ 12 lakhs (decrease by ₹ 11 lakhs) (as at June 30, 2017: increase by ₹ 25 lakhs (decrease by ₹ 22 lakhs)).

The sensitivity analysis presented above may not be representative of the actual change of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method as the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Balance Sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

## 30. Financial instruments

### 30.1 Capital management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the equity balance. Equity share capital and other equity are considered for the purpose of group's capital management.

The Company is not subject to any externally imposed capital requirements.

The Company's risk management committee manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return on capital to shareholders or issue new shares.

### 30.2 Categories of financial instruments

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Financial assets</b>		
<b>Measured at amortised cost</b>		
(a) Trade receivables	14 847	13 280
(b) Cash and cash equivalents	39 235	10 244
(c) Bank balances other than (b) above	724	1 439
(d) Loans	14 141	14 856
(e) Other financial assets	2 581	6 353
<b>Financial liabilities</b>		
<b>Measured at amortised cost</b>		
(a) Trade payables	40 622	36 319
(b) Other financial liabilities	1 927	2 696

## Notes to Financial Statements for the year ended June 30, 2018

### 30.3 Financial risk management objectives

The Company's overall policy with respect to managing risks associated with financial instruments is to minimise potential adverse effects of financial performance of the Company. The policies for managing specific risks are summarised below.

### 30.4 Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities as at		Assets as at	
	As at June 30, 2018	As at June 30, 2017	As at June 30, 2018	As at June 30, 2017
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
USD	10 749	9 283	1 478	416
EUR	1 104	1 294	4	—
CNY	2	3	—	—
EGP	—	—	4	—
SGD	7	—	—	—
KRW	—	6	—	—

#### 30.4.1 Foreign currency sensitivity analysis

The Company is mainly exposed to the currencies stated above.

The following table details impact to profit or loss of the Company by sensitivity analysis of a 10% increase and decrease in the respective currencies against the functional currency of the Company. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change on foreign currency rates.

If the relevant foreign currency strengthens / weakens by 10% against the functional currency of the Company, profit or loss will increase / (decrease) by:

	Increase / (decrease) at +10%		Increase / (decrease) at -10%	
	As at June 30, 2018	As at June 30, 2017	As at June 30, 2018	As at June 30, 2017
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
USD	(927)	(887)	927	887
EUR	(110)	(129)	110	129
CNY	—¥	—¥	—¥	—¥
EGP	—¥	—	—¥	—
SGD	(1)	—	1	—
KRW	—	(1)	—	1

¥ denotes amount less than ₹ 50 000

### 30.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company performs ongoing credit evaluation of the counterparty's financial position as a means of mitigating the risk of financial loss arising from defaults. The Company only grants credit to creditworthy counterparties.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics as disclosed in Note 5 to the financial statements.

### 30.6 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company does not have interest bearing borrowings, it is not exposed to risk of changes in market interest rates. The Company has not used any interest rate derivatives.

## Notes to Financial Statements for the year ended June 30, 2018

### 30.7 Other price risk management

Other price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. The Company is not exposed to pricing risk as the Company does not have any investments in equity instruments and bonds.

### 30.8 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company maintains adequate highly liquid assets in the form of cash to ensure necessary liquidity.

The table below analyse financial liabilities of the Company into relevant maturity groupings based on the reporting period from the reporting date to the contractual maturity date:

	Less than 1 year ₹ in lakhs	Between 1 to 5 years ₹ in lakhs	Over 5 years ₹ in lakhs	Total ₹ in lakhs	Carrying Value ₹ in lakhs
<b>At June 30, 2018</b>					
Trade Payables	40 622	—	—	40 622	40 622
Other financial liabilities	1 927	—	—	1 927	1 927
Provisions	427	4 873	—	5 300	5 300
Other Current Liabilities	3 717	—	—	3 717	3 717
<b>At June 30, 2017</b>					
Trade Payables	36 319	—	—	36 319	36 319
Other financial liabilities	2 696	—	—	2 696	2 696
Provisions	415	5 169	—	5 584	5 584
Other Current Liabilities	6 730	—	—	6 730	6 730

### 30.9 Fair value measurements

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

## 31. Share-based payments

### a) International Stock Ownership Plan (Stocks of the Ultimate Holding Company)

The Procter and Gamble Company, USA has an "International Stock Ownership Plan" (employee share purchase plan) whereby specified employees of its subsidiaries have been given a right to purchase shares of the Ultimate Holding Company i.e. The Procter and Gamble Company, USA. Every employee who opts for the scheme contributes by way of payroll deduction up to a specified percentage (upto 15%) of base salary towards purchase of shares on a monthly basis. The Company contributes 50% of employee's contribution (restricted to 2.5% of his base salary). Such contribution is charged under employee benefits expense.

The shares of The Procter & Gamble Company, USA are listed with New York Stock Exchange and are purchased on behalf of the employees at market price on the date of purchase. During the year ended June 30, 2018, 6 656.66 (June 30, 2017: 4 651.17) shares were purchased by employees at weighted average fair value of ₹ 5 482.49 (June 30, 2017: ₹ 5 253.08) per share. The Company's contribution during the year on such purchase of shares amounting to ₹ 97 Lakhs (June 30, 2017: ₹ 71 Lakhs) has been charged under employee benefits expense under Note 23.

### b) Employees Stock Options Plan (Stocks of the Ultimate Holding Company)

The Procter and Gamble Company, USA has an "Employee Stock Option Plan" whereby specified employees of its subsidiaries covered by the plan are granted an option to purchase shares of the Ultimate Holding Company i.e. The Procter and Gamble Company, USA at a fixed price (grant price) for a fixed year of time. The shares of The Procter & Gamble Company, USA are listed with New York Stock Exchange. The Options Exercise price equal to the market price of the underlying shares on the date of the grant. The Grants issued are vested after 3 years and have a 5 / 10 years life cycle.

## Notes to Financial Statements for the year ended June 30, 2018

The expense recognised for employee services received during the year is shown in the following table:

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Expense arising from equity-settled share-based payment transactions	734	1 018
<b>Total expense arising from share-based payment transactions</b>	<b>734</b>	<b>1 018</b>

There were no cancellations or modifications to the awards in June 30, 2018 or June 30, 2017.

### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	As at June 30, 2018 Number	As at June 30, 2018 WAEP (in \$)	Estimated fair value of Option Granted In ₹	As at June 30, 2017 Number	As at June 30, 2017 WAEP (in \$)	Estimated fair value of Option Granted In ₹
Outstanding at July 1	2 32 984	87.05	—	2 28 919	84.67	—
Granted during the year						
3-Aug-17	551	88.40	5 740	—	—	—
15-Sep-17	5 639	93.27	672	—	—	—
28-Feb-18	2 098	78.52	5 004	—	—	—
28-Feb-18	4 394	78.52	4 786	—	—	—
28-Feb-18	53 685	78.52	775	—	—	—
4-Aug-16	—	—	—	466	83.20	5 551
15-Sep-16	—	—	—	2 102	88.06	583
28-Feb-17	—	—	—	59 915	91.07	687
28-Feb-17	—	—	—	2 878	91.07	5 705
28-Feb-17	—	—	—	1 742	91.07	6 079
Forfeited during the year	(3 446)	—	—	(4 125)	—	—
Exercised during the year	(30 915)	87.70	—	(52 948)	88.48	—
Expired during the year	—	—	—	(5 965)	—	—
<b>Outstanding at June 30</b>	<b>2 64 990</b>	<b>78.06</b>		<b>2 32 984</b>	<b>87.05</b>	
Exercisable at June 30	1 18 842	78.06		1 33 675	87.05	

The weighted average share price at the date of exercise of these options was \$ 87.70 (June 30, 2017: \$ 88.48).

The weighted average remaining contractual life for the share options outstanding as at June 30, 2018 was 5.99 years (June 30, 2017: 5.24 years).

The weighted average fair value of options granted during the year was ₹ 1 206 (June 30, 2017: ₹ 1 073).

These fair values for share options granted during the year were calculated using binomial lattice-based model. The following tables list the inputs to the models used for the plans for the years ended June 30, 2018 and June 30, 2017, respectively:

	As at June 30, 2018	As at June 30, 2017
Dividend yield (%)	3.12%	3.21%
Expected volatility (%)	17.92%	15.08%
Risk-free interest rate (%)	2.82%	2.55%

## Notes to Financial Statements for the year ended June 30, 2018

### 32. Related party disclosures:

The Group Companies of The Procter & Gamble Company USA include, among others,

Procter & Gamble India Holdings BV	Procter & Gamble Luxembourg Global SARL
Procter & Gamble Iron Horse Holding BV	Procter & Gamble International SARL
Procter & Gamble Eastern Europe LLC	Procter & Gamble India Holdings Inc.
Procter & Gamble Nordic LLC	Procter & Gamble International Operations, SA
Procter & Gamble Global Holdings Limited	Gillette Group (Europe) Holdings, BV
Procter & Gamble Canada Holding BV	Procter & Gamble Overseas India BV
Procter & Gamble Overseas Canada, BV	Procter & Gamble Asia Holding BV
Rosemount BV	

#### (a) Related party where control exists:

Relationship	Name of the Company
Ultimate Holding Company	The Procter & Gamble Company, USA
Holding Company	Procter & Gamble Overseas India BV, The Netherlands

#### (b) Other parties with whom transactions have taken place during the year.

##### (i) Fellow Subsidiaries

S. No.	Name of the Company	S. No.	Name of the Company
1	Gillette India Limited	18	Procter & Gamble Services Company Nv
2	Procter & Gamble Home Products Private Limited	19	Procter & Gamble Technical Centers Ltd.
3	Procter & Gamble (Guangzhou) Ltd.	20	Procter & Gamble Trading (Thailand) Ltd.
4	Procter & Gamble Australia Pty Ltd.	21	Procter & Gamble Middle East Fze
5	Procter & Gamble Egypt	22	Pt. Procter & Gamble Home Products Indonesia
6	Procter & Gamble Europe Sa	23	The Procter & Gamble US Business Services Company
7	Procter & Gamble Europe Sa Singapore Branch	24	Procter & Gamble Manufacturing Gmbh
8	Procter & Gamble Hong Kong Limited	25	Procter & Gamble Bangladesh Private Limited
9	Procter & Gamble International Operations S.A. Dubai Branch	26	The Procter & Gamble Distributing LLC
10	Procter & Gamble International Operations Sa	27	Fameccanica Data S.P.A.
11	Procter & Gamble International Operations Sa Singapore Branch	28	Fameccanica Machinery (Shanghai) Co Ltd
12	Procter & Gamble International Operations Sa-Rohq	29	Wella India Hair Cosmetics Pvt. Ltd.
13	Procter & Gamble Japan K.K.	30	Procter & Gamble Gulf Fze
14	Procter & Gamble Korea S&D, Co.	31	Procter & Gamble Services Ltd.
15	Procter & Gamble Korea, Inc.	32	Pt. Procter & Gamble Operations Indonesia
16	Procter & Gamble Philippines, Inc.	33	Wella India Private Limited
17	Procter & Gamble Service Gmbh		



## Notes to Financial Statements for the year ended June 30, 2018

### (ii) Key Management Personnel of the Company:

S. No.	Name	Designation
1	Mr. Al Rajwani	Managing Director upto June 30, 2018
2	Mr. Madhusudan Gopalan	Managing Director w.e.f. July 1, 2018
3	Mr. Karthik Natarajan	Non-executive Director
4	Ms. Sonali Dhawan	Non-executive Director
5	Mr. Pramod Agarwal	Non-executive Director
6	Mr. Shailymanyu Singh Rathore	Non-executive Director
7	Mr. Prashant Bhatnagar	Chief Financial Officer

Note: Related parties have been identified by the management.

### (c) Details of related party transactions between the Company and its related parties are as under:

₹ in lakhs

S. No.	Nature of Transactions	For the year ended June 30	Ultimate Holding & Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel
1	Purchase of Goods	2018	339	2 161	—
		2017	302	5 754	—
2	Purchase of Equipment / Assets / Spares	2018	—	1 145	—
		2017	—	701	—
3	Sale of Products	2018	—	602	—
		2017	—	495	—
4	Sale of Capital goods	2018	—	82	—
		2017	—	75	—
5	Loans Given	2018	—	9 000	—
		2017	—	20 000	—
6	Loans Realised	2018	—	9 000	23
		2017	—	31 000	4
7	Interest Income	2018	—	770	—
		2017	—	1 552	—
8	Recovery of Expenses Cross charged	2018	675	2 798	—
		2017	3 936	7 221	—
9	Expenses cross-charged	2018	365	2 290	—
		2017	1 892	8 422	—
10	Reimbursement of expenses shared by group cos. (Income)	2018	—	2 210	—
		2017	—	4 903	—
11	Reimbursement of expenses shared by group cos. (Expense)	2018	—	268	—
		2017	—	1 441	—
12	Business Process Outsourcing expenses	2018	3 831	643	—
		2017	—	2 878	—
13	Royalty	2018	12 190	—	—
		2017	9 929	—	—

## Notes to Financial Statements for the year ended June 30, 2018

₹ in lakhs

S. No.	Nature of Transactions	For the year ended June 30	Ultimate Holding & Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel
14	Computer Expenses	2018	—	310	—
		2017	—	418	—
15	Rent Expenses	2018	—	3 347	—
		2017	—	2 142	—
16	Dividend Remitted / Paid	2018	6 024	167	—
		2017	88 403	2 858	—
17	Managerial Remuneration	2018	—	—	783
		2017	—	—	846
18	Processing Charges	2018	—	9 484	—
		2017	—	6 382	—
19	Outstanding as at June 30th				
	Loans given	2018	—	9 000	—
		2017	—	9 000	23
	Interest Income Accrued	2018	—	1 347	—
		2017	—	520	—
	Trade and other receivables	2018	56	1 214	—
		2017	17	4 848	—
	Trade payables	2018	3 856	2 076	—
		2017	4 475	8 267	—

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recorded any impairment of receivables relating to amounts owed by related parties in the current year or prior years. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### (d) Disclosure in respect of material transactions of the same type with related parties during the year:

₹ in lakhs

S. No.	Nature of Transactions	Year ended June 30, 2018	Year ended June 30, 2017
1	Purchase of Goods		
	Procter & Gamble International Operations SA Singapore Br	1 115	4 686
	The Procter & Gamble Company	339	302
	Procter & Gamble Home Products Private Limited	971	784
	Procter & Gamble (Guangzhou) Limited	—	284
	Others	75	—

## Notes to Financial Statements for the year ended June 30, 2018

₹ in lakhs			
S. No.	Nature of Transactions	Year ended June 30, 2018	Year ended June 30, 2017
<b>2</b>	<b>Purchase of Equipment / Assets / Spares</b>		
	The Procter & Gamble Distributing LLC	806	379
	Fameccanica Data S.P.A.	149	232
	Procter & Gamble Manufacturing GmbH	131	82
	Others	59	8
<b>3</b>	<b>Sale of Products</b>		
	Procter & Gamble International Operations SA Singapore Br	—	59
	Procter & Gamble Bangladesh Private Limited	602	435
	Others	—	1
<b>4</b>	<b>Sale of Capital goods</b>		
	Gillette India Limited	—	39
	Procter & Gamble Home Products Private Limited	77	36
	Others	5	—
<b>5</b>	<b>Loans Given</b>		
	Procter & Gamble Home Products Private Limited	9 000	20 000
<b>6</b>	<b>Loans Realised</b>		
	Procter & Gamble Home Products Private Limited	9 000	31 000
<b>7</b>	<b>Interest Income</b>		
	Procter & Gamble Home Products Private Limited	770	1 552
<b>8</b>	<b>Recovery of Expenses Cross charged</b>		
	The Procter & Gamble Company	675	3 936
	Procter & Gamble Home Products Private Limited	2 162	5 880
	Gillette India Limited	147	670
	Others	489	671
<b>9</b>	<b>Expenses cross-charged</b>		
	The Procter & Gamble Company	365	1 892
	Procter & Gamble Home Products Private Limited	1 795	7 396
	Gillette India Limited	352	938
	Others	143	88
<b>10</b>	<b>Reimbursement of expenses shared by group cos. (Income)</b>		
	Procter & Gamble Home Products Private Limited	616	2 715
	Gillette India Limited	1 594	2 188

## Notes to Financial Statements for the year ended June 30, 2018

₹ in lakhs			
S. No.	Nature of Transactions	Year ended June 30, 2018	Year ended June 30, 2017
<b>11</b>	<b>Reimbursement of expenses shared by group cos. (Expense)</b>		
	Procter & Gamble Home Products Private Limited	—	1 357
	Gillette India Limited	268	84
<b>12</b>	<b>Business Process Outsourcing expenses</b>		
	Procter & Gamble International Operations SA	—	2 379
	Procter & Gamble International Operations SA-ROHQ	643	499
	The Procter & Gamble Company	3 831	—
<b>13</b>	<b>Royalty</b>		
	The Procter & Gamble Company	12 190	9 929
<b>14</b>	<b>Computer Expenses</b>		
	The Procter & Gamble US Business Services Company	310	418
<b>15</b>	<b>Rent expenses</b>		
	Procter & Gamble Home Products Private Limited	3 347	2 142
<b>16</b>	<b>Dividend Remitted / Paid</b>		
	Procter & Gamble Asia Holding BV	—	7 640
	Procter & Gamble Overseas India BV	6 024	80 763
	Others	167	2 858
<b>17</b>	<b>Processing Charges</b>		
	Procter & Gamble Home Products Private Limited	9 484	6 382

### (e) Compensation of key management personnel

The remuneration of directors and other key management personnel during the year was as follows:

₹ in lakhs			
	Year ended June 30, 2018	Year ended June 30, 2017	
Short-term benefits	427	521	
Share-based payments	356	325	
	<b>783</b>	<b>846</b>	

### (f) Other transactions with key management personnel

₹ in lakhs			
	Year ended June 30, 2018	Year ended June 30, 2017	
Loan given	—	—	
Loan realised	23	4	

## Notes to Financial Statements for the year ended June 30, 2018

### Note:

1 Disclosure required under section 186(4) of the Companies Act, 2013 for Loans given:

₹ in lakhs

Sr. No.	Name	Relations	Amount given during the year ended June 30, 2018	Amount given during the year ended June 30, 2017
	<b>Inter corporate loans</b>			
1	Procter & Gamble Home Products Private Limited	Fellow Subsidiary	9 000	20 000

Above inter corporate loans have been given for general business purposes for meeting their working capital requirements.

### 33. Operating lease arrangements

#### Company as a lessee

#### 33.1 Leasing arrangements

The Company has taken on lease guesthouses for accommodation of employees and office premises and warehouses with an option of renewal at the end of the lease term and escalation clause in some of the cases. These leases can be terminated with a prior notice as per terms and conditions of the respective lease agreements. The Company has also entered into an arrangement which in substance falls under the Appendix C to IND AS 17 "Determining whether an arrangement contains a lease" and the payments for the lease have been bifurcated from payments for other elements in the arrangement. The lease payments under the above mentioned leasing arrangement have been disclosed in note 33.2.

#### 33.2 Payments recognised as an expense

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
Minimum lease payments	4 498	2 665
	<b>4 498</b>	<b>2 665</b>

#### 33.3 Non-cancellable operating lease commitments

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Not later than one year	44	241
Later than one year but not later than five years	—	—
Later than five years	—	—
<b>Total</b>	<b>44</b>	<b>241</b>

### 34. Commitments

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
Estimated amount of contracts remaining to be executed on capital account and not provided for	175	109
	<b>175</b>	<b>109</b>

## Notes to Financial Statements for the year ended June 30, 2018

### 35. Contingent liabilities

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
<b>Claims against company not acknowledged as debts</b>		
<b>Income Tax matters</b>	11 005	8 638
<b>Sales Tax matters</b>		
(i) Non submission of "C" Forms / "F" Forms	2 664	2 259
(ii) Incomplete accounts books under sales tax	227	227
(iii) Classification issues under sales tax	38	38
(iv) Product valuation issues under sales tax	59	66
(v) Other sales tax matters	1 018	1 014
<b>Excise duty, service tax and custom duty matters</b>		
(i) Classification issues under excise tax	9	9
(ii) Product valuation issues under excise tax	95	95
(iii) Applicability of service tax matters	1 226	1 226
(iv) Other excise, service tax and customs matters	2	2
(v) Custom duty	19	19
<b>Other matters</b>		
Other claims – The Company is a party to various legal proceedings in the normal course of business	75	60
	<b>16 437</b>	<b>13 653</b>

### 36. Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006

	As at June 30, 2018 ₹ in lakhs	As at June 30, 2017 ₹ in lakhs
(a) Principal amount remaining unpaid to any supplier as at the end of the accounting year	231	324
(b) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	127	75
(c) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	1 132	1 131
Principal paid beyond the appointed date	1 132	1 131
Interest paid in terms of Section 16 of the Act	—	—
(d) The amount of interest due and payable for the year	52	44
(e) The amount of interest accrued and remaining unpaid at the end of the accounting year	127	75
(f) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	1	2

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

- 37. (a)** Reimbursement / (recovery) of expenses cross charged to related parties include payments / recoveries on account of finance, personnel, secretarial, administration and planning services rendered under common services agreements with Procter & Gamble Home Products Private Limited and Gillette India Limited. (Refer note 38).



## Notes to Financial Statements for the year ended June 30, 2018

(b) Certain expenses in the nature of employee costs, relocation costs and other expenses are cross charged by the Company to its fellow subsidiaries at actual. Similar expenses incurred by fellow subsidiaries are cross charged to the Company at actual.

38. (a) Employee Benefits Expense excludes expenses in respect of Managerial personnel of ₹ 588 Lakhs (Previous Year: ₹ 806 Lakhs) cross charged to Gillette India Limited and Procter & Gamble Home Products Private Limited in terms of the common services agreement (Refer Note 37).

(b) Employee Benefits Expense includes expenses in respect of Managerial personnel of ₹ 150 Lakhs (Previous Year: ₹ 175 Lakhs) cross charged from Gillette India Limited and Procter & Gamble Home Products Private Limited in terms of the common services agreement (Refer Note 37).

### 39. Dividend

	Year ended June 30, 2018 ₹ in lakhs	Year ended June 30, 2017 ₹ in lakhs
<b>Dividend on equity shares paid during the year</b>		
Final dividend for the FY 2016-17: ₹ 27 (PY: FY 2015-16: ₹ 36) per equity share of ₹ 10 each	8 764	11 686
Dividend distribution tax on final dividend	1 784	2 379
Interim dividend for the FY 2017-18: Nil (PY: FY 2016-17: ₹ 362) per equity share of ₹ 10 each	—	1 17 508
Dividend distribution tax on interim dividend	—	23 925
<b>Total</b>	<b>10 548</b>	<b>1 55 498</b>

#### Proposed Dividend:

The Board of Directors at its meeting held on August 22, 2018 have recommended a payment of final dividend of ₹ 40 per equity share of face value of ₹ 10 each for the financial year ended June 30, 2018. The same amounts to ₹ 15 654 lakhs including dividend distribution tax of ₹ 2 670 lakhs.

The above is subject to approval at the ensuing Annual General Meeting of the Company and hence is not recognised as a liability.

40. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

### 41. Approval of financial statements

The financial statements were approved for issue by the Board of Directors on August 22, 2018.

#### Signatures to Note 1 to 41

For and on behalf of Board of Directors

R. A. Shah  
Chairman

Madhusudan Gopalan  
Managing Director

Prashant Bhatnagar  
Chief Financial Officer

Place: Mumbai  
Date: August 22, 2018

## TEN YEAR FINANCIAL HIGHLIGHTS

	2009	2010	2011	2012	2013	2014	2015	2016^	2017^	2018^
<b>YEAR END FINANCIAL POSITION (₹ Crores)</b>										
Net Fixed Assets	132.3	130.3	190.4	198.4	214.9	239.5	308.8	352.2	326.6	271.6
Net Worth	440.0	534.6	600.6	786.6	805.3	1002.9	1228.7	1651.8	526.1	805.5
<b>SUMMARY OF OPERATIONS (₹ Crores)</b>										
Gross Sales	773.0	913.5	1037.0	1310.1	1696.7	2063.6	2358.4	2349.2	2419.2	2455.3
Profit before Tax	231.7	233.6	178.7	223.0	286.2	460.3	500.8	635.5	671.8	581.8
Profit after Tax	178.8	179.8	150.9	182.9	203.2	302.0	346.1	422.5	432.7	374.6
Dividend	73.0	73.0	73.0	73.0	81.2	89.3	98.2	98.2	1291.9*	87.6
<b>PER SHARE DATA</b>										
EPS (₹)	55.10	55.38	46.48	57.30	62.61	93.04	106.63	130.16	133.31	115.40
Dividend (%)	225	225	225	225	250	275	302	302	3980	270
<b>NUMBER OF SHARES</b>										
Shares (Lakhs)	324.61	324.61	324.61	324.61	324.61	324.61	324.61	324.61	324.61	324.61

^ Figures for these years are as per new accounting standards (Ind AS) and Schedule III of Companies Act, 2013. Hence these numbers are not comparable with previous years.

\* Includes interim Dividend

## NOTES

[illegible]

# Our Purpose, Values and Principles



## OUR PURPOSE

We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come.



## OUR PRINCIPLES

- We show respect for all individuals.
- The interests of the Company and the individual are inseparable.
- We are strategically focused on our work.
- Innovation is the cornerstone of our success.
- We are externally focused.
- We value personal mastery.
- We seek to be the best.
- Mutual interdependency is a way of life.



**Procter & Gamble**

Hygiene and Health Care Limited

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