

November 3, 2020

To,
The Corporate Relations Department
The BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001
Ref:- Scrip Code:- 500126

To,
The Listing Department
The National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400051
Ref:- Scrip Code:- PGHL

Dear Sir/Madam,

Sub: Annual Report for the Financial Year ended June 30, 2020 and Notice calling the 53rd Annual General Meeting of the Company

We refer to our letter dated September 28, 2020, informing the date of 53rd Annual General Meeting. In this respect, please find enclosed Annual Report for the Financial Year ended June 30, 2020 and Notice calling the 53rd Annual General Meeting of the Company.

In accordance with, the General Circular No. 20/2020 dated 5th May, 2020 issued by MCA and Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by SEBI, the Annual Report for the Financial Year 2019-20, including the Notice of AGM have been sent in electronic mode to Members on November 03, 2020 whose e-mail addresses are registered with the Company. The copy of the Notice along with the Annual Report enclosed herewith and is also available on the Company's website: <https://www.pghealthindia.com/investors/>.

Further, it may be noted that shareholders who would like to express their views/have questions, may register themselves as a speaker by sending their request in advance mentioning their name, demat account number/ folio number, E-mail id, mobile number at investorgrievance.im@pg.com from the date of this notice up to November 23, 2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers and number of questions depending on the availability of time for the AGM.

Kindly take the same on record and oblige.

Thanking you,
Yours faithfully,

**For Procter & Gamble Health Limited
(Formerly Merck Limited)**

FLAVIA
PETER
MACHADO
Digitally signed
by FLAVIA PETER
MACHADO
Date: 2020.11.03
15:51:04 +05'30'

**Flavia Machado
Authorized Signatory**

Procter & Gamble Health Limited

(Formerly known as Merck Limited)
CIN: L99999MH1967PLC013726
Registered Office: Godrej One, 8th Floor,
Pirojshanagar, Eastern Express Highway, Vikhroli East,
Mumbai 400 079 | Tel: (91-22) 6210 9800
www.pghealthindia.com

NOTICE

NOTICE is hereby given that the Fifty-Third Annual General Meeting of the Members of the Company will be held on **Thursday, November 26, 2020**, at **3.30 p.m.** through Video Conference / Other Audio Visual Means, to transact the business as specified below. The venue of the meeting shall be deemed to be at the P&G Plaza, Cardinal Gracias Raod, Chakala, Andheri East, Mumbai - 400 099.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at June 30, 2020 and the Statement of Profit and Loss for the Financial Year ended on that date, together with the Reports of the Auditors and Directors thereon.
2. To declare Final Dividend for the Financial Year ended June 30, 2020.
3. To appoint a Director in place of Mr. Amit Gupta (DIN 008295179), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), if any, the following Resolution as an **Ordinary Resolution:**

Appointment of Mr. Aalok Agrawal as a Non-Executive Director of the Company, liable to retire by rotation

“RESOLVED THAT Mr. Aalok Agrawal (DIN 08468145) who was appointed as an Additional Director of the Company on June 1, 2019 by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and pursuant to the Articles of Association of the Company, and who holds such office until this Annual General Meeting, be and is hereby appointed as Non-Executive Director of the Company, liable to retire by rotation.”

5. To consider and, if thought fit, to pass with or without modification(s), if any, the following Resolution as an **Ordinary Resolution:**

Appointment of Mr. Sujay Wasan as a Non-Executive Director of the Company, liable to retire by rotation

“RESOLVED THAT Mr. Sujay Wasan (DIN 08497942) who was appointed as an Additional Director

of the Company on July 1, 2019 by the Board of Directors in terms of Section 161 of the Companies Act, 2013 and pursuant to the Articles of Association of the Company, and who holds such office until this Annual General Meeting, be and is hereby appointed as Non-Executive Director of the Company, liable to retire by rotation.”

6. To consider and, if thought fit, to pass with or without modification(s), if any, the following Resolution as an **Ordinary Resolution:**

Revision of terms of remuneration of Mr. Milind Thatte, Managing Director

“RESOLVED FURTHER THAT pursuant to the provisions of Sections 196 and 197 and any other applicable provisions, if any, of the Act, read with Schedule V of the Act, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), pursuant to the recommendation of the Nomination & Remuneration Committee and the Board of Directors, the approval of the Company be and is hereby accorded to the revision of terms of remuneration of Mr. Milind Thatte, Managing Director, as set out in the explanatory statement annexed hereto and be paid such remuneration, as may be determined by the Board or a duly constituted Committee thereof, from time to time, within the maximum limits of remuneration prescribed by the Act.”

7. To consider and, if thought fit, to pass with or without modification(s), if any, the following Resolution as an **Ordinary Resolution:**

Revision of terms of remuneration of Mr. Amit Gupta, Executive Director

“RESOLVED FURTHER THAT pursuant to the provisions of Sections 196 and 197 and any other applicable provisions, if any, of the Act, read with Schedule V of the Act, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), pursuant

to the recommendation of the Nomination & Remuneration Committee and the Board of Directors, the approval of the Company be and is hereby accorded to the revision of terms of remuneration of Mr. Amit Gupta, Executive Director, as set out in the explanatory statement annexed hereto and be paid such remuneration, as may be determined by the Board or a duly constituted Committee thereof, from time to time, within the maximum limits of remuneration prescribed by the Act.”

8. To consider and, if thought fit, to pass with or without modification(s), if any, the following Resolution as an **Ordinary Resolution:**

Ratification of Payment of Remuneration to the Cost Auditor for the Financial Year 2020-21

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 (“Act”), Rules framed thereunder (as amended from time to time) and other applicable laws, such other permissions as may be necessary, the Members hereby approve the remuneration of ₹ 2,50,000 plus service tax and out-of-pocket expenses payable to M/s Joshi Apte & Associates, Cost Accountants, who are appointed by the Board of Directors of the Company to conduct audit of the Cost records maintained by the Company for the Financial Year 2020-21.”

By Order of the Board of Directors

Preeti Bishnoi
Company Secretary

Mumbai
September 15, 2020

Registered Office:

Godrej One, 8th Floor,
Pirojshanagar, Eastern Express Highway,
Vikhroli (E), Mumbai - 400 079

NOTES

1. The relevant Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of business under Item No. 4 to 8 is annexed hereto and forms a part of this Notice.
2. In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 issued by the Ministry of Corporate Affairs followed by Circular No. 20/2020 dated May 05, 2020, Companies are allowed to hold Annual General Meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM) during the calendar year 2020.
3. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended) and in accordance with, the said circulars of MCA, SEBI and applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the 53rd AGM of the Company shall be conducted through VC / OAVM. Your Company has appointed National Securities Depositories Limited ('NSDL') for providing facility for voting through remote e-voting, for participation in the AGM through VC / OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC is explained in this Notice.
4. Pursuant to the Circular No. 14/2020 dated April 08, 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the bodies corporate are entitled to appoint authorized representatives to attend the EGM/AGM through VC/OAVM and participate thereat and cast their votes through e-voting.

As the AGM shall be conducted through VC / OAVM, Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.

5. In accordance with, the General Circular No. 20/2020 dated 5th May, 2020 issued by MCA and Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated 12th May, 2020 issued by SEBI, the above-mentioned circulars, the Financial Statements (including Report of Board of Directors, Auditor's report or other documents required to be attached therewith), including the Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or respective DPs.

The Notice of AGM along with Annual Report for the financial year 2019-20, is available on the website of the Company at <https://www.pghealthindia.com/investors/> on the website of Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited and on the website of NSDL at www.evoting.nsdl.com.

6. Members can join 53rd AGM through VC/OAVM mode 30 minutes before the time scheduled to start the meeting, by following the procedure mentioned below, in the notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. The attendance of the members attending the AGM through VC/OAVM will be counted for the purpose of reckoning quorum under Section 103 of the Companies Act, 2013.
7. The Registers to be maintained under the Companies Act shall be available for inspection by the members during the AGM, upon login at NSDL e-voting system at <https://www.evoting.nsdl.com>.

Instructions for Members for joining the 53rd Annual General Meeting through VC are as under:

8. Member will be provided with a facility to attend the Annual General Meeting through VC/OAVM through the NSDL e-Voting system. Members

may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice below, to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.

9. Members are encouraged to join the Meeting through Laptops for better experience.
10. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
11. **Shareholders who would like to express their views/have questions, may register themselves as a speaker by sending their request in advance mentioning their name, demat account number/ folio number, E-mail id, mobile number at investorgrievance.im@pg.com from the date of this notice up to November 23,2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers and number of questions depending on the availability of time for the AGM.**
12. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/ Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
13. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and

e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or send a request to designated email ID at evoting@nsdl.co.in.

The instructions for Members relating to remote e-voting are as under:

14. The remote e-voting period begins on Sunday, November 22, 2020 at 9:00 a.m. and ends on Wednesday, November 25, 2020 at 5:00 p.m. The e-voting module shall be disabled by NSDL for voting thereafter.

During this period, Members of the Company, holding shares either in physical form or in dematerialised form, as on November 19, 2020, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by a Member, he shall not be allowed to change it subsequently. The Company has appointed Mr. B. V. Dholakia, Practicing Company Secretary and in his absence Mr. Nrupang B. Dholakia, Dholakia & Associates LLP, Practicing Company Secretaries to act as the Scrutinizer, for conducting the scrutiny of the votes cast. The Members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

a. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.

- b. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
- c. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.
- d. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

Your password details are given below:

- i. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- ii. If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.

- iii. How to retrieve your 'initial password'?
- If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered.**
- e. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
- i. Click on "[Forgot User Details/Password](#)" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nSDL.com.
 - ii. Click on "[Physical User Reset Password](#)" (If you are holding shares in physical mode) option available on www.evoting.nSDL.com.
 - iii. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nSDL.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
 - iv. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
- f. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- g. Now, you will have to click on "Login" button.
 - h. After you click on the "Login" button, Home page of e-Voting will open.
- Details on Step 2 is given below:**
- How to cast your vote electronically on NSDL e-Voting system?
- a. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
 - b. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
 - c. Select "EVEN" of company for which you wish to cast your vote.
 - d. Now you are ready for e-Voting as the Voting page opens.
 - e. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
 - f. Upon confirmation, the message "Vote cast successfully" will be displayed.
 - g. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
 - h. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.
- The Instructions for Members for E-Voting on the Day of the AGM are as under:-**
15. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
 16. Only those Members/ shareholders, who will be present in the EGM/AGM through VC facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

17. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

General Guidelines for shareholders

18. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to info@dholakia-associates.com with a copy marked to evoting@nsdl.co.in.

19. Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e-mail ids for e-voting for the resolutions set out in this notice:

- a. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to RTA at inward.ris@kfintech.com
- b. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to RTA at inward.ris@kfintech.com

20. The Register of Members and the Share Transfer books of the Company will remain closed **from Friday, November 20, 2020, to Thursday, November 26, 2020** (both days inclusive), for the purpose of determining the names of Members eligible for final dividend on Equity Shares, if declared at the Annual General Meeting.

21. The final dividend on Equity Shares for the Financial Year ended June 30, 2020, as recommended by the Directors, if approved at the Annual General Meeting, will be paid on or before December 22, 2020:

- (a) To all beneficial owners, in respect of shares held in dematerialized form, as per details furnished by the Depositories for this purpose as at the close of business hours on November 19, 2020;
- (b) To all Members, in respect of shares held in physical form, whose names shall appear on the Company's Register of Members as on November 26, 2020.

22. In line with the Securities and Exchange Board of India ("SEBI") directives, the Company is required to update bank details of the Members of the Company to enable usage of the electronic mode of remittance for distributing dividends and other cash benefits to its Members. In this regard, Members holding shares in electronic form are requested to furnish their bank details to their Depository Participants ("DPs"). Members holding shares in physical form are requested to furnish their bank details, alongwith a photocopy of a blank cancelled cheque pertaining to your bank account to the Registrar and Share Transfer Agent, ("RTA"), KFin Technologies Private Limited.

23. Shareholders may note that, in accordance with the provisions of the Income Tax Act, 1961 ("the Act") as amended by and read with the provisions of the Indian Finance Act, 2020, dividend declared and paid by the Company after April 1, 2020, is taxable in the hands of shareholders and the Company is required to deduct the tax at source ("TDS") on the distribution of dividend income to its shareholders at the applicable rates. In order to enable us to determine the appropriate TDS rate as applicable, shareholders are requested to submit the requisite documents as mentioned in our letter dated September 30, 2020, which is put up on the website at <https://www.pghealthindia.com/investors/>, in order facilitate company to deduct TDS at time of final dividend. The said documents (duly completed and signed) are required to be uploaded on RTA's

website at <https://ris.kfintech.com/form15> on or before **November 15, 2020** in order to enable the Company to determine and deduct appropriate TDS. For any clarification, please write to us at einward.ris@kfintech.com or investorgrievance.im@pg.com

24. Members holding shares in the physical form are requested to intimate the following directly to the Company's RTA, KFin Technologies Private Limited, Karvy Selenium Tower 'B', Plot 31 & 32 Financial District, Nanakramguda, Gachibowli, Hyderabad – 500 032. Tel: +91 040 67162222, e-mail: einward.ris@kfintech.com.
- Bank Mandate with full particulars for remittance of dividend directly into their Bank Accounts, if declared at the Meeting;
 - Intimate changes, if any, in their address/ name, bank details, NECS/ECS, mandates, nominations, power of attorney etc. at an early date;
 - Apply for consolidation of folios, if shareholdings are under multiple folios in identical names or joint holding in the same order of names;
 - Send their share certificates for consolidation, and
 - Request for nomination forms for making nominations, as per the format prescribed under the Companies Act, 2013.

Members holding shares in the Dematerialized (electronic) form are requested to intimate the aforesaid changes directly to their DPs, as applicable.

25. SEBI has mandated submission of Permanent Account Number ("PAN") for all transactions in the securities market. Members who are holding shares in dematerialized form are requested to submit their PAN details to their respective DP. Members holding shares in physical form can submit their PAN details to the Company's RTA, KFin Technologies Private Limited.
26. Members are requested to note that the transfer deed(s) lodged prior to deadline, i.e., April 1, 2019, and returned due to deficiency in the

document may be re-lodged for transfer with KFin Technologies Private Limited (Registrar & Transfer Agents), on or before March 31, 2021, cut-off date as fixed by SEBI, vide circular dated September 07, 2020. Further, the shares that are re-lodged for transfer (including those request that are pending with the company / RTA, as on date) will be issued only in demat mode.

27. In the case of Dematerialized Shares, the Company is obliged to print Bank details on the dividend warrants, as are furnished by the National Securities Depository Limited ("NSDL") and the Central Depositories Services (India) Limited ("CDSL") ("the Depositories") to the Company and the Company cannot entertain any request for deletion/change of Bank details without confirmation from the Depositories. In this regard, Members are advised to contact their DPs and furnish them the particulars of any change(s) desired.
28. Non-resident Indian Members are requested to immediately inform the Company or its RTA or the concerned DP, as the case may be, about the following:
- The change in the residential status on return to India for permanent settlement;
 - The particulars of the NRE account with a Bank in India, if not furnished earlier.
29. The Ministry of Corporate Affairs has notified provisions relating to unpaid / unclaimed dividend under Sections 124 and 125 of Companies Act, 2013 and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016. As per these Rules, dividends which are not encashed / claimed by the shareholder for a period of seven consecutive years shall be transferred to the Investor Education and Protection Fund (IEPF) Authority. The new IEPF Rules mandate the companies to transfer the shares of shareholders whose dividends remain unpaid / unclaimed for a period of seven consecutive years to the demat account of IEPF Authority. Hence, the Company urges all the shareholders to encash / claim their respective dividend during the prescribed period. The details of the unpaid / unclaimed amounts lying with the Company as on May 31, 2019 (date

of last Annual General Meeting) are available on the website of the Company <https://www.pghealthindia.com/investors/>. The shareholders whose dividend/ shares as transferred to the IEPF Authority can now claim their shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority <http://iepf.gov.in/IEPFA/refund.html>.

30. Members are requested to contact the Company's RTA, KFin Technologies Private Limited, for claiming the unclaimed dividends. The detailed dividend history and due dates for transfer to IEPF are provided in the "Corporate Governance" section of the Annual Report.

Members are requested to address all correspondences, including Share Transfer documents and dividend matters to the Company's RTA, KFin Technologies Private Limited, Karvy Selenium Tower 'B', Plot 31 & 32 Financial District, Nanakramguda, Gachibowli, Hyderabad – 500 032. Tel: +91 040 67162222, e-mail: einward.ris@kfintech.com.

31. Members are requested to quote their ledger folio numbers in all their correspondence to enable the Company to provide better services to the Members.
32. The results along with the Scrutinizer's Report, shall be placed on the website of the Company and on the website of NSDL within 48 hours of conclusion of the AGM and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

By Order of the Board of Directors

Preeti Bishnoi
Company Secretary

Mumbai
September 15, 2020

Registered Office:

Godrej One, 8th Floor,
Pirojshanagar, Eastern Express Highway,
Vikhroli (E), Mumbai - 400 079

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item no. 4

Appointment of Mr. Aalok Agrawal (DIN 08468145) as Non-Executive Director of the Company, liable to retire by rotation

Mr. Aalok Agrawal was appointed as an Additional Director of the Company by the Board of Directors effective June 1, 2019, pursuant to Section 161 of the Companies Act, 2013 and pursuant to recommendation of the Nomination and Remuneration Committee. Mr. Aalok Agrawal holds such office till the date of ensuing 53rd Annual General Meeting of the Company. It is proposed to appoint Mr. Aalok Agrawal as Non-Executive Director liable to retire by rotation.

Mr. Aalok Agrawal has completed his Bachelor of Science (Physics) from St. Xavier's College, Mumbai and MBA from Indian Institute of Management, Ahmedabad. He has been with P&G for over 22 years with leadership experience on consumer healthcare & FMCG businesses and deep mastery in diverse OTC value creation business models. He has worked in diverse cultural contexts across Europe, North America & Asia/ India and has deep knowledge of go-to-market & commercial environments, competitive environments & healthcare regulation.

The Board recommends passing of the resolution at item no. 4 as an Ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives, except Mr. Aalok Agrawal, are concerned or interested, financially or otherwise, in this item.

Item no. 5

Appointment of Mr. Sujay Wasan (DIN 08497942) as Non-Executive Director of the Company, liable to retire by rotation

Mr. Sujay Wasan was appointed as an Additional Director of the Company by the Board of Directors effective July 1, 2019, pursuant to Section 161 of the Companies Act, 2013 and pursuant to recommendation of the Nomination and Remuneration Committee. Mr. Sujay Wasan holds such office till the date of ensuing 53rd Annual General Meeting of the Company. It is proposed

to appoint Mr. Sujay Wasan as Non-Executive Director liable to retire by rotation.

Mr. Sujay Wasan holds an International Masters in Business Administration degree (MBA) from The Netherlands. Mr. Sujay Wasan is the Senior Vice President-Asia, India, Middle East and Africa, Personal Healthcare and Oral care, Asia Pacific and has lived and worked across Western Europe, North America and Asia with rich brand building experience across multiple core categories in critical global, regional and country roles. Mr. Sujay Wasan has spent the last 16 years with P&G with assignments spanning global marketing and strategy for multi-billion dollar brands, designing breakthrough innovation, category marketing, and country operations with focus on purpose led marketing programs, digital and store-back marketing.

The Board recommends passing of the resolution at item no. 5 as an Ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives, except Mr. Sujay Wasan, are concerned or interested, financially or otherwise, in this item.

Item No. 6

Revision of terms of remuneration of Mr. Milind Thatte, Managing Director

The Company has undergone process of integration with P&G group policies and processes. In line with the same, the Company harmonized employee centric policies (including compensation policies) with P&G group policies. Consequently, terms of appointment of Mr. Milind Thatte, Managing Director have been revised. The Nomination and Remuneration Committee and the Board of Directors approved the said revised terms, as detailed below:

1. Salary, performance bonus, global stock options & allowances - ₹ 25 million per annum (subject to increments as per Company policy)
2. Additionally, perquisites and re-imbursements as per Company policy
3. Remuneration to not exceed limits under the Companies Act (5% of Net Profits).

The Board recommends passing of the resolution at item no. 6 as an Ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives, except Mr. Milind Thatte, are concerned or interested, financially or otherwise, in this item.

Item No. 7

Revision of terms of remuneration of Mr. Amit Gupta, Executive Director

The Company has undergone process of integration with P&G group policies and processes. In line with the same, the Company harmonized employee centric policies (including compensation policies) with P&G group policies. Consequently, terms of appointment of Mr. Amit Gupta, Executive Director have been revised. The Nomination and Remuneration Committee and the Board of Directors approved the said revised terms, as detailed below:

1. Salary, performance bonus, global stock options & allowances - ₹ 20 million per annum (subject to increments as per Company policy)
2. Additionally, perquisites and re-imburements as per Company policy
3. Remuneration to not exceed limits under the Companies Act (5% of Net Profits).

The Board recommends passing of the resolution at item no. 7 as an Ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives, except Mr. Amit Gupta, are concerned or interested, financially or otherwise, in this item.

Item No. 8

Ratification of Payment of Remuneration to the Cost Auditor for the Financial Year 2020-21

The Board of Directors at their meeting held on September 15, 2020, on the recommendation of the Audit Committee, approved the appointment and remuneration of M/s Joshi Apte & Associates, Cost Accountants as the Cost Auditors to conduct the audit of the Cost records of the Company for the Financial Year 2020-21 and remuneration of ₹ 2,50,000/- plus service tax and out-of-pocket expenses.

In terms with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, remuneration payable to the Cost Auditors is required to be ratified by the Members of the Company.

The Board recommends passing of the resolution at item no. 8 as an Ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives, are concerned or interested, financially or otherwise, in this item.

By Order of the Board of Directors

Preeti Bishnoi
Company Secretary

Mumbai
September 15, 2020

Registered Office:

Godrej One, 8th Floor,
Pirojshanagar, Eastern Express Highway,
Vikhroli (E), Mumbai - 400 079

**Details of Directors proposed to be Appointed/re-appointed by rotation at the forthcoming
53rd Annual General Meeting**

Resolution at Item No.	3	4	5
Name of Director	Mr. Amit Gupta	Mr. Aalok Agrawal	Mr. Sujay Wasan
Age	44 years	45 years	50 years
Date of appointment on the Board	10/12/2018	01/06/2019	01/07/2019
Qualification/Expertise in specific field	Chartered Accountant	MBA (Business Management)	MBA (International Business)
Names of other Companies in which he/she holds Directorships	NIL	NIL	NIL
Companies in which he/ she is a Managing Director, Chief Executive Officer, Whole time Director, Secretary, Chief Financial Officer, Manager	NIL	NIL	NIL
Chairman/Member of the Committee(s) of the Board of Directors of the Company	Member of Committees: 1. Risk Management Committee 2. Corporate Social Responsibility Committee 3. Stakeholders Relationship Committee	Member of Committees: 1. Nomination & Remuneration Committee	NIL
Chairman/Member of the Committee(s) of Board of Directors of other Companies in which he/she is a Director	NIL	NIL	NIL
Shareholding in the Company	NIL	NIL	NIL
Relationship with other Directors, Manager or Key Managerial Personnel, if any	NIL	NIL	NIL

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BUILDING TOGETHER

Towards Tomorrow



Annual Report 2019-20

Procter & Gamble Health Limited





FOREWORD

“Today is your opportunity to build the tomorrow you want”

-Ken Poirot

We started our first fiscal year as part of the P&G Group with a vision to create a much stronger presence in India's fast-growing Consumer Health industry; with a brand portfolio backed by science and trusted by doctors, pharmacists and consumers, and the best of Consumer Health capabilities and cultures.

From building reach to building knowledge, from building an entity to building a nation, from building capabilities to building culture, the teams put together their expertise, experience and their best efforts amidst challenging times towards **'Building Together, Towards Tomorrow!'**

In this 53rd Annual Report, we proudly present to you the efforts of your Company's highly committed and engaged team in the year gone by to build both a stronger today, and a brighter tomorrow.

MANAGING DIRECTOR'S Message

Dear Shareholders,

It gives me immense pleasure to bring to you the 53rd Annual Report of your Company and take you through our journey over the last eighteen months.

This year was significant as the Company completed its first year as part of the Procter & Gamble Group. We began this journey with the vision of creating a much stronger presence in India's fast-growing Consumer Health industry; through a brand portfolio backed by science and trusted by doctors, pharmacists and consumers, and the best of Consumer Health capabilities and cultures.



Milind Thatte
Managing Director
Procter & Gamble Health Limited

With a single-minded focus towards this vision, the Company delivered a strong double-digit growth for twelve month period before the onset of the unprecedented Covid-19 pandemic. Despite initial impact on account of disruption in business operations, the Company continues to demonstrate a resilient performance ensuring minimal impact and arresting decline, delivering sales of ₹ 200.3 Crores in the last quarter and ₹ 1,329.2 Crores in the eighteen months period amidst very challenging circumstances.

Since the onset of Covid-19 worldwide and in India, our priorities have been to protect the health and safety of our employees and partners, continually serve consumers with our products, and support communities and relief efforts. Despite the disruptions of the pandemic and subsequent lockdowns across the country, our employees worked tirelessly towards ensuring continued availability of our medicines and nutraceutical products for patients, consumers and doctors. As part of our Corporate Social Responsibility (CSR) initiative 'SEHAT' (meaning Health), the Company has been supporting relief efforts providing essential materials such as PPEs and Gloves to Public Health workers; and Hygiene Kits and Food donations to

vulnerable populations through our partner NGOs.

I would like to take this opportunity, on behalf of the Board of Directors and the PGHL family, to thank you for your continued support and confidence in your Company through the transition, and through these unprecedented times. It is this trust and encouragement which enabled us to deliver a strong performance fuelled by the efforts of our teams across the board towards building reach, building knowledge, building the new entity, building capabilities, building culture and contributing to building the nation through our Corporate Social Responsibility efforts; which you will read more about in the next few pages.

It has been heartening to see these efforts getting recognized with your Company being listed as one of the Top Wealth Creators as part of Fortune India's Next 500 list (for mid-size Companies), along with various other external recognitions for brand and functional excellence.

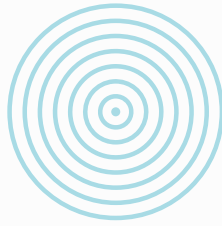
As the pandemic continues to change the world as we know it, the journey ahead will require us to challenge ourselves more than ever. Innovation will be key – especially in Healthcare – as we explore newer ways to stay connected with our customers and consumers; touch and improve lives through our brands; and create an operating model that enables business continuity while ensuring safety of our employees, patients, consumers, doctors and partners.

While the post-pandemic world will be a different place, I am confident that we will come out of this situation even stronger. At PGHL we have built a strong foundation for a growing business and have an engaged team eager to build both a stronger today and a brighter tomorrow.



Sincerely,
Milind Thatte







BUILDING Reach

Despite challenging circumstances in the later part of the fiscal year due to the Covid-19 pandemic, your Company's brand franchises delivered strong results continuing to further our commitment to bringing quality and affordable vitamins, minerals, supplements and other medicinal products to patients, consumers and customers across the country.



Neurobion™

delivered strong growth fuelled by focused initiatives to build awareness on neuropathy, nerve care and the benefit of **Neurobion** across customer and consumer touchpoints.



Neurobion also scored a hat trick bagging three prestigious Industry Awards viz. Nicholas Hall Marketing Excellence Award, CIMS Trusted Brand of the Year & ABP News Brand Excellence Award.



This year, **Neurobion** & **Polybion** came together to launch PANACHE for India's Gen X doctors – a first-of-its-kind platform to assist medical students on all-round knowledge of healthcare. Launched with the aim of assisting medical students in honing crucial skills for holistic patient care such as medico-legal aspects, ethics, the role of technology and soft skills like emotional intelligence, PANACHE reached 350 medical colleges & 35000 students in Year 1. Participants from over 130 cities went through 2 rounds of online quiz assessments, with the Grand Finale held at India's largest physician congress APICON, wherein Dr. Vivek Nidhi from Burdwan Medical College and Hospital, Burdwan was declared the winner.



As a leader in the Vitamin E segment in India, **Evion** continued to create awareness on the benefits of Vitamin E among HCPs and consumers, while also taking steps towards consumerization through the new 'Nourish Your Cells' positioning.

With the 'Vision' summits, the team reached out to 2000 HCPs across multiple specialities in >20 cities on the role of Vit. E in multiple therapy areas.

1200+ HCPs connected through 40+ programs on 'Vit. E and its role in Women's Health' as part of the 'WEAVE' initiative. Brand digital initiatives over the course of the year reached out to over 4.5 million consumers.

The brand has accelerated its consumerization journey with the launch of its first television commercial which is live across channels.



Livogen™

continued to be the No. 1 Doctor prescribed Iron Supplement of India

In 2019, **Livogen** launched the New **Livogen** Iron and Multivitamin Tonic; a comprehensive iron syrup to aid people combat tiredness and fatigue due to iron deficiency, while giving them the strength from within to lead a vibrant life. Formulated as a one-stop care for the entire family, the New **Livogen** Multivitamin Tonic (available as an Adult tonic and Kid's syrup) is enabled with nine essential nutrients viz. Iron, Vitamin B12, Vitamin B6, Vitamin B3, Vitamin B5, Folic acid, Protein hydrolysate, Zinc, and L-Lysine that play a pivotal role in enriching the body and blood with iron and other important nutrients. It is also available as Baby Drops which contains Iron and Folic Acid.



With the endeavour to improve awareness on iron deficiency and the need and benefits of iron supplementation, 13 'VOICE EXPERT FORUMS' were held across the country with participation of >100 leading doctors on impact and management of 'Iron Deficiency in children and women'. Further, >50000 doctors were engaged on the subject through major HCP conferences and forums held countrywide.



Consumer awareness efforts included further strengthening of the 'YUVATI' adolescent girls health education program by joining hands with P&G Whisper® to jointly reach out to schools across the country, and the launch of #RahoStrongIronStrong campaign designed to help women recognize the early symptoms of iron deficiency and take appropriate steps to overcome them.



Through experiences and anecdotes on daily victories and struggles of women from all walks of life including Olympic Boxer Mary Kom, Mandira Bedi among many others, #RahoStrongIronStrong encouraged women to be at their best by helping them recognize the symptoms of iron deficiency in daily life, and the actions they can take to prevent and overcome these through a balanced diet and right supplementation.

A video advertisement for Livogen Tonic. On the left, a red vertical banner contains the text 'Make Iron Your Strength' in white. On the right, a woman with long dark hair, wearing a pink shirt, is speaking. In the top right corner of the video frame, the 'Livogen TONIC' logo is visible.

Two promotional graphics for World Iron Deficiency Day. The top graphic features the Livogen logo and the text 'WE ALL NEED IRON' with a red heart icon containing a blood drop, and '26 NOVEMBER 2019 IRON DEFICIENCY DAY'. The bottom graphic shows a woman speaking, with the text 'DR RITA BAKSHI, SENIOR CONSULTANT' and 'LIVOGEN' visible.

Two promotional graphics for World Iron Deficiency Day. The top graphic shows a man speaking, with the Livogen logo and 'WE ALL NEED IRON' text. The bottom graphic shows another man speaking, with the text 'DR SANJEEV BAGAI, SENIOR CONSULTANT' and 'LIVOGEN' visible.

The brand also collaborated with NDTV 24X7 on World Iron Deficiency Day to promote awareness on Anaemia.



Polybion™



Today's hectic lifestyle & competitive environment coupled with the improper intake of essential B Vitamins can lead to several lifestyle-related disorders. With B Vitamins having a major role to play in alleviating lifestyle-related disorders, brand **Polybion** launched the New **Polybion Active** Syrup, a superior B Complex Syrup enriched with Lysine in a sugar-free tasty mango flavour base. With 6 B Vitamins and an optimum concentration of the essential amino acid Lysine, **Polybion Active** will enable patients to lead an active and energetic life. It will help them manage lifestyle-related disorders such as Mouth Ulcers, Chronic Gastritis and fatigue in Diabetics due to Vitamin B12 deficiencies. It will also support immunity in patients whilst recovering from illness.



Nasivion™

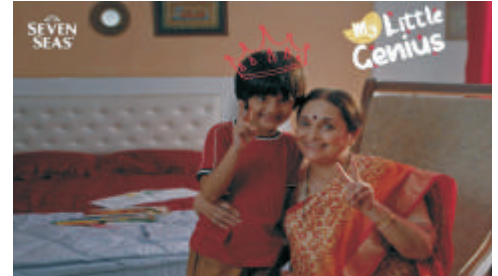
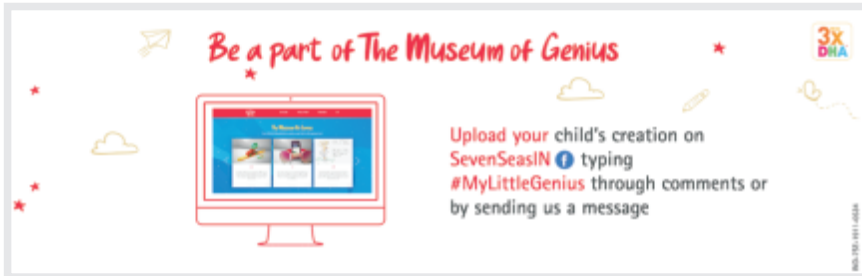
Nasal decongestant brand **Nasivion** continued to reach consumers through Television, OTT and display mediums. A series of educational sessions 'OPEN UP' were conducted throughout the year with leading experts on Covid-19, Nasal Decongestion among other topics.



Seven Seas™



Aligned to the brand philosophy of helping unlock every child's true potential, 'My Little Genius' campaign was launched by **Seven Seas** encouraging parents to discover the true potential in their little one and celebrate it with the whole world. On Children's Day, **Seven Seas** unveiled a virtual 'The Museum of Genius' exhibiting the creations of children from across the country. The campaign – which included a collaboration with a leading school chain - reached > 4 million consumers garnering >10 million impressions.



Across the portfolio, >15000 activations including Nerve Care Camps and True Red Check Camps were held across the country towards improving awareness and screening.

Further, P&G Health stood out at leading conferences such as the APICON (Annual Conference of the Association of Physicians of India), PEDICON (Annual Conference of the Indian Academy of Paediatrics) and FOGSI (Federation of Obstetric and Gynaecological Societies of India) with its portfolio of trusted consumer health brands and interactive activities.



BUILDING Knowledge

Medical initiatives were driven through the year with the aim to bring the latest updates in science to our customers and consumers; and towards partnering with healthcare practitioners (HCPs) to improve awareness, education, diagnoses and management in our key therapy areas and indications.

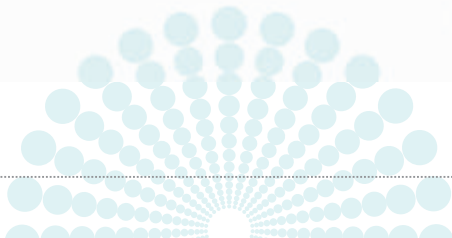
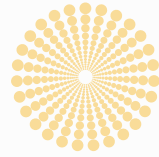


In addition to scientific symposias, advisory boards and congress participation, in 2019 the team took a step-up towards augmenting medical education digitally. Partnering with Omnicuris, a digital accredited CME platform for doctors and in association with 'Paediatric Association of India'; ~20000 HCPs have been enrolled till date and are accessing the information on disease awareness, management and patient care. Scientific information on diverse topics are also disseminated through digital portals like Docplexus and Curofy.

The team also launched a Primary Rural Health Education Program (PREP) to work towards taking knowledge to the hinterlands.

A first-of-its-kind medical governance tool 'TRACE' was launched towards bringing greater transparency and automation to HCP connect initiatives.







BUILDING an Entity

The year saw an acceleration in Transition and Integration efforts across the board, as your Company continued its efforts to bring together the best of both organisations. Each team went beyond its day-to-day job to actively participate in transition-related projects, which has today resulted in seamless integration with minimal impact on business operations and performance.



Name Change of Company



Supply Chain Redesign



Sales Organisation Re-design



Approvals of Health Authority Licences



SAP Migration



Transition to P&G IT Infrastructure



Harmonization of HR policies and processes



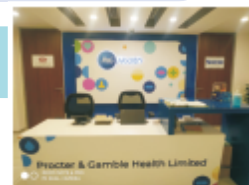
New systems for Purchase, Compliance, Promotional material etc



New Office branding



Resilient and unstoppable through the transition, the Company was recognized as one of the Top Wealth Creators and listed as part of the Fortune India Next 500 list for mid-size Companies



BUILDING a Nation

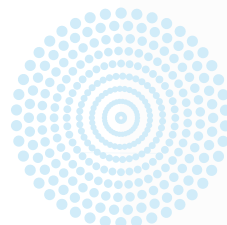
As a responsible Healthcare Company, in 2019-2020 Procter & Gamble Health Limited (PGHL) decided to channelize all its CSR efforts towards building a Healthier India with a new CSR umbrella program - '**SEHAT**' (meaning Health). With SEHAT, your Company's aspiration is to make a sustainable impact on Public Health in India.



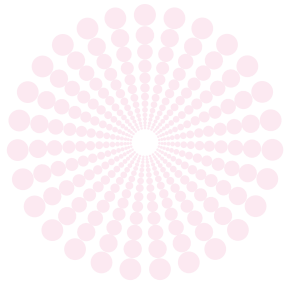
RISE WITH HEALTH

A CSR Initiative from Procter & Gamble Health Limited

Co-created and implemented with reputable public health and non-profit partner organizations, projects under SEHAT include:







P&G Health Public Health Scholarship' Program – In partnership with 'Public Health Foundation of India' (PHFI), a recognized leader in Public Health program implementation.

India requires a massive public health workforce which can complement medical caregivers; supporting them to use limited resources efficiently, assist in better implementation of health policies, effect affordability, and promote healthy behaviour.

With the twin-fold objective of (1) helping build a Public Health Cadre to address India's complex set of existing and emerging public health challenges, and (2) support interested candidates to choose public health as a career opportunity to improve health conditions and thus, quality of life (QoL) of Indians - PGHL instituted the 'P&G Public Health Scholarship' for deserving students from socially & economically deprived communities seeking to pursue 'Masters in Public Health' across PHFI's IIPH (Indian Institute of Public Health) Institutes. The scholarship program aims to also encourage scholars to take up roles in non-governmental organizations and backward areas of the country to implement public health programs.

In 2019-20 session, 34 P&G Health Scholars initiated their career in public health across the three Indian Institutes of Public Health (IIPHs) at Gandhinagar, Delhi NCR, and Hyderabad with the help of the 'P&G Public Health scholarship' with the aspiration to become tomorrow's change-makers.



'P&G Health Swasthya Sakhi' Program – In partnership with 'Public Health Foundation of India' (PHFI)

With the objective of initiating a Maternal & Child Health Community Project that can contribute to Employment, Entrepreneurship and access to affordable screening, diagnostics & digital health, your Company partnered with PHFI to institute the 'Swasthya Sakhis' (Health companions) project in Sitapur District of Uttar Pradesh, and across districts in North and South Goa.

Under this project, Swasthya Sakhis, selected by PHFI from the District Communities and empowered with PHFI's Technological Innovation 'Swasthya Sahayak' (SS) - a portable/backpack sized point-of-care information gathering & diagnostic tool - have been deployed to seek & digitize health information of families including conducting diagnostics of pregnant women, & referring high-risk cases to Public Health Centres. The project was kickstarted in Sitapur District of UP, with selection by PHFI of Swasthya Sakhis from the Community as per PHFI's pre-defined criteria.

50 Swasthya Sakhis were subsequently trained by PHFI on health aspects, device usage, community communication and interaction and began working in their assigned territories taking much-needed point-of-care diagnostics to the last mile. The Swasthya Sakhis till date have reached out to >60000 Households offering diagnostic services to 200000 beneficiaries and 2000 pregnant women in Sitapur District with the aim to reach ~ 600000 beneficiaries over the next 6 months with this innovative health technology.



In January '20, the Swasthya Sakhi project was launched in the state of Goa by Hon. Minister Smriti Irani (Union Minister of Women and Child Development, and Textiles), Hon. Minister Dr. Pramod Sawant (Chief Minister of Goa), Hon. Minister Vishwajit P Rane (Minister of State for Health, Women and Child Development, Skill Development, Industries, Trade and Commerce & Law and Judiciary), Dr. K Srinath Reddy (President-Public Health Foundation of India) and Mr. Milind Thatte (Managing Director - Procter & Gamble Health Limited).

Further to the launch, PHFI worked in collaboration with the Directorate of Health Services Goa for identification of districts and health centers for intervention. Subsequently, 28 Swasthya Sakhis from the Community and 56 Government ANMs have been trained on the Maternal & Child Health application of PHFI's Swasthya Sahayak device with the aim of reaching >1,00,000 beneficiaries and helping improve the delivery of reproductive and maternal health services.

P&G Health partners with PHFI to implement Digital Health Project

THE GOAN NETWORK

PANAJI
Procter & Gamble Health Limited (formerly known as Merck Limited) announced its partnership with the Public Health Foundation of India (PHFI) to implement a digital health project in the state of Goa under its corporate social responsibility (CSR) program 'SEHAT'.

"The uniqueness of this project is the coming together of diverse partners who are pooling in their resources and expertise to make a sustainable difference to public health in the state. Funded by P&G Health, the project will be implemented by PHFI in partnership with the Directorate of Health Services Goa and Department of Women & Child Development



Milind Thatte, Managing Director, Procter & Gamble Health Limited addressing the audience on the Swasthya Sakhi project and P&G Health's collaboration with Public Health Foundation of India in Goa. Chief Minister Pramod Sawant, Union Minister Smriti Irani and Minister of State for Health Vishwajit Rane were also present at the event.

Managing Director - P&G Health Limited.
"We are very excited to be working with P&G Health and initiative to improve maternal and child health at the primary level by the introduction of point of care systems at Health



'Gift of Health' Program - In partnership with 'Catalysts for Social Action' (CSA), an NGO that works with Children in Need of Care & Protection (CNCP)

An estimated 370000 children stay in childcare institutions (CCIs) in India; only an estimated 3000 children per year get adopted. Improving children's health & hygiene conditions at these CCIs is important towards ensuring a good base for the development of children.

With the objective of supporting health needs of the children under institutional care, the Company instituted the 'Gift of Health' program as the 'Healthcare Partner' to 'Catalysts for Social Action' to provide health and hygiene support to 2000+ children in age group of 6-18 years residing at 50+ CCIs across Maharashtra, Madhya Pradesh, Odisha and Goa. Activities included regular Health check-up camps, distribution of hygiene kits and sanitary napkins, and awareness sessions on good hygiene and dental care practices.



Stepping up as a #ForceForGood, your Company has been supporting Covid-19 relief efforts providing essential materials such as PPEs and Gloves to Public Health workers; and Hygiene Kits and Food donations to vulnerable populations through our partner NGOs.

Healthcare support was also extended as part of disaster relief efforts during the Maharashtra Floods and Cyclone Fani.



Daan Utsav 'Post & Give Challenge' – In partnership with 'Give Foundation' and 'HelpAge India



Joining the Country in celebrating 'Daan Utsav' (India's biggest festival of Giving marking the birth anniversary of Mahatma Gandhi), PGHL employees across India got together to engage in different acts of 'giving' - each day signifying an act- which they were asked to post and share. For every act of 'Giving', PGHL committed to match an amount towards HelpAge India's community outreach health initiative for disadvantaged elderly. In just one week, employees touched and impacted over 2000 lives with their individual acts of giving together raising INR 400000 for HelpAge India.

Running for a Cause – PGHL Employees participated in the 'Tata Mumbai Marathon 2020' running for partner NGO 'Catalysts for Social Action' (CSA) for the cause of Children in Need of Care & Protection (CNCP).



BUILDING Capabilities

Your Company continued to invest and develop the Commercial Capabilities of the organisation through new and improved programs.



CRM tools were further strengthened with the addition of new modules and features towards improving efficiency and effectiveness. Through further automation, the tool now has a mobile application to facilitate anytime, anywhere reporting and has also been integrated with a digital learning platform.

Training initiatives were increased and strengthened with customized individual/performance focussed modules, interventions and campaigns.

Aligned to the Company's 'build from within' philosophy, leaders were identified from the talent pool for new positions, and job rotation and cross-fertilization opportunities were provided across functions.

Alongside ongoing training and capability building programs, a special 'Personal Development Day' initiative was rolled out across the country to facilitate Individual development discussions and build awareness on P&G's learning and development offerings.



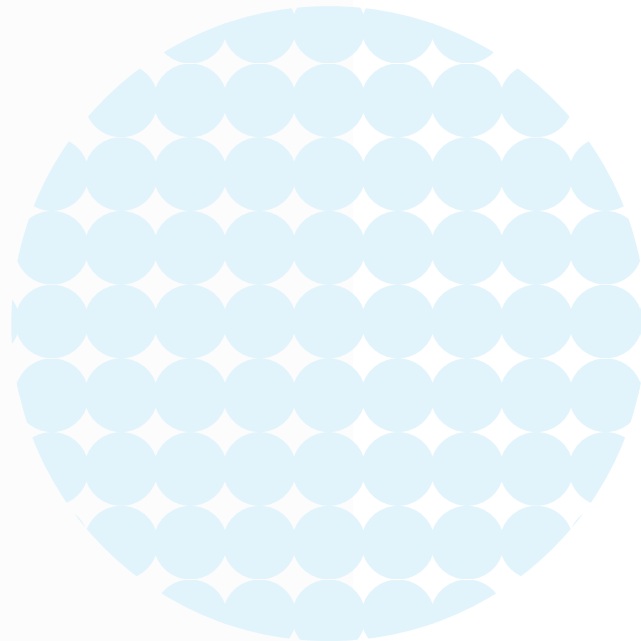






BUILDING Culture

An empowered and entrepreneurial organisation, seamless teams doing meaningful work, inclusion and diversity, stewardship and compliance - all contributing to your Company's 'Winning Culture'. The Company continued to score high on employee engagement in the Annual Organisational Climate survey with >90% employees sharing that they believe they are proud to be a part of P&G, and that they are able to make a difference.





The Sense of Oneness and Pride was brought alive each time the teams came together - when volunteering for CSR, when showcasing their talent during the Jalsa night, when competing with energy in the sporting contests, while painting their vision for a healthier India and when bagging Internal and External awards and recognitions!



Breaking News

27 Winners
from Procter & Gamble Health
Linked by the prestigious
P&G Global CEO Award!

Please join us in congratulating...

- Arun Kumar
- ...
- ...

On winning this very prestigious recognition!

Breaking NEWS!!

The Best CFO 2019
Award bestowed by
DALAL STREET INVESTMENT JOURNAL

He is also the Best CFO award holder amongst other award holders.

On winning this very prestigious recognition!

PG Health wins
"Comant Sarvochha Suraksha Puraskar"

PGC Health Limited won the Comant Sarvochha Suraksha Puraskar for outstanding performance in safety. This award has been instituted by Green Triangle Society in association with Inspectorate of Factories & Boilers in Goa.

The award was presented by Mr. Sanjay Kumar, Secretary for Inspectorate of Factories & Boilers - Govt. of Goa in the presence of other esteemed dignitaries like Mr. Vinay Mahapatra, Chief Inspector of Factories - Goa State, Mr. Mangalrik Patil/Sahar, Chairman, Green Triangle Society, Mr. Subhas Nalk and Dr. Prady Padval.

Safety Management & Safety performance at site of past three years was one of the evaluation criteria for the award. The main assessment considered was: responsible accident & frequency rate, dangerous occurrences at site, health & safety policy, qualification of workers in health & safety management, training, safety of contractors, onsite safety management, health & safety activities, among other things.

This award goes on to demonstrate the organization's commitment to safety.

Kudos to the Goa team!

Big Wins
for Best Communications at the own India PR & Communications Conference (INPRCC) 2019

Winners

Kuchika Mehra
PGC Health

Carroll O'Sha
PGC Health

Congratulations
to Team Communications for winning 2 awards

Best Head of the Year

Best Internal Campaign of the Year

At the ET Brand Equity Rakshita Awards 2020

Even the Covid-19 pandemic and subsequent lockdowns did not deter your Company's agile teams who were quick to embrace virtual platforms to stay updated, connected and engaged.

STAY HOME STAY SAFE

DISTANCE Social

1st Virtual Cycle Meet
June 2020

PIT STOP

1st Virtual Cycle Meet
June 2020

Global CEO Award Presentation

ALL ROADS LEAD TO 1st VIRTUAL CYCLE MEET

SAVE THE DATE
19-20 & 22-23 JUNE 2020

What's Cooking this Quarantine?

Cooked for self or your valentine, share your best dish of this quarantine.

A Quarantine Cooking Contest
for all home chefs of P&G!


Make a **short video** describing the dish along with a photo of your **Best Quarantine Dish** (veg or non-veg) and share with us on **Life@PGHealthIndia** Facebook page

Winners take home a quarantine kitchen hamper for:

- Most easy & innovative recipe**
- Best Dish**

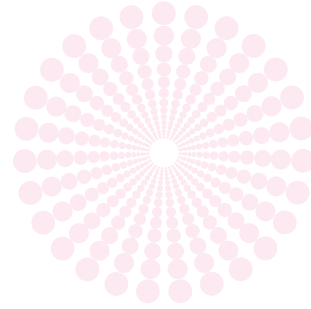
Contest closes on the last day of lockdown

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CORPORATE INFORMATION

Board of Directors and Key Managerial Personnel

Mr. Suresh N. Talwar	Independent Director – Chairman of the Board
Ms. Rani A. Jadhav	Independent Director
Mr. Milind Thatte	Managing Director
Mr. Amit Gupta	CFO & Executive Director (Finance)
Mr. Sujay Wasan	Non-Executive Director (Appointed w.e.f. July 1, 2019)
Mr. Aalok Agrawal	Non-Executive Director (Appointed w.e.f. June 1, 2019)
Ms. Preeti Bishnoi	Company Secretary (Appointed w.e.f. June 1, 2020)

Corporate Identity Number (CIN)

L99999MH1967PLC013726

Registered Office

Procter & Gamble Health Limited
(Formerly Merck Limited)
Godrej One, 8th Floor, Pirojshanagar,
Eastern Express Highway, Vikhroli (East),
Mumbai – 400 079, India
Phone: +91 22 6866 9000
Fax: +91 22 2518 6828
Website: www.pghealthindia.com

Plant Location

Plant No. 11/1, Usgaon,
Ponda, Goa – 403 407

Registrar and Share Transfer Agent

KFin Technologies Private Limited
Karvy Selenium Tower B
Plot 31-32, Gachibowli, Financial District
Nanakramguda Hyderabad,
Telangana – 500 032
Phone: +91 40 6716 2222
Toll Free No: 1800-3454-001
Email: einward.ris@kfintech.com
Website: www.kfintech.com

Statutory Auditor

Haribhakti & Co. LLP
Chartered Accountants

Cost Auditor

Joshi Apte & Associates
Cost Accountants

Secretarial Auditor

Saraf & Associates
Company Secretaries

Note: Certain Statements in this Annual Report may be seen as forward looking statements. The actual results may differ materially from those expressed or implied in the statement depending on circumstances.

REPORT OF THE DIRECTORS

We are pleased to present the Annual Report and the Financial Statements for the eighteen months Financial Year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

Particulars	₹ in Lakhs)	
	2019-20	2018
Income from Continued Operations	135,586	84,899
Other Income	6,889	2,439
Profit before Interest, Depreciation and Tax	38,430	17,177
Depreciation/ Impairment	2,945	2,035
Exceptional items	-	656
Net Profit for the from Continuing operations	35,485	15,798
Provision for Taxation (net)	10,077	5,624
Net Profit after tax from Continuing operations	25,408	10,174
Profit before tax from discontinued operations	-	97,959
Tax expense of discontinued operations	-	24,261
Net Profit after tax from Discontinued operations	-	73,698
Profit available for appropriations	25,408	83,872
Appropriations:		
Opening Reserve	116,797	36,112
Re-measurement gain/loss on defined benefit plan (net of tax)	(926)	(182)
Dividend (including Tax on Dividend)	88,053	3,005
Balance carried to the Balance Sheet	53,226	116,797
Earnings per share		
Earnings per equity share of Continuing operations (of ₹10/- each) Basic and Diluted (in ₹)	153.1	61.3
Earnings per equity share of Discontinued operations (of ₹10/- each) Basic and Diluted (in ₹)	-	444.0
Earnings per equity share of Continuing and Discontinued operations (of ₹10/- each) (in ₹)	153.1	505.3

Note: Due to transition to new Financial Year period July-June, eighteen months figures reported are not comparable versus last financial year.

CHANGE IN NAME OF THE COMPANY

The Company received approval from the Registrar of Companies for change of name of the Company from "Merck Limited" to "Procter & Gamble Health Limited" effective May 6, 2019.

CHANGE IN FINANCIAL YEAR OF THE COMPANY AND EXTENSION TO HOLD ANNUAL GENERAL MEETING

The Company received requisite approval of the Regional Director, Western Region, Ministry of Corporate Affairs, Mumbai on December 18, 2019 for change of Financial Year of the Company from '1st January-31st December' to '1st July-30th June', to align the financial year of the Company with the financial year of the ultimate holding company, the Procter & Gamble Company, USA. Pursuant to the said approval, the Financial Year of the Company for the reporting period is for a period of eighteen months, starting from 1st January, 2019 to 30th June, 2020. Subsequent financial years will begin from 1st July and end on 30th June. Accordingly, in this Annual Report, the term 'Financial Year 2019-20' or 'Financial Year ended June 30, 2020' shall mean eighteen months period from January 1, 2019 to June 30, 2020.

Further, the Company has also received approval from the Ministry of Corporate Affairs for extension of time to hold its Annual General Meeting by three months, i.e., upto November 30, 2020 on account of the abovementioned change in Financial Year.

COMPANY'S OPERATIONAL PERFORMANCE

Due to transition to new Financial Year period July-June, eighteen months financials reported are not comparable versus last year. In spite of a challenging year impacted by COVID-19 pandemic, your Company closed the period with a Net Profit ratio of 17.8% of Total Income (6.2% up vs. previous financial year). Sustained growth in total income coupled with stringent expense management in the wake of COVID-19 pandemic, enabled your Company to achieve a historical high in a challenging period.

The detailed operational performance of your Company is provided in the Management Discussion and Analysis Report forming part of this report as **Annexure I**. During the eighteen-month financial period ended June 30, 2020, your Company achieved a turnover of ₹ 132,921 lakhs from continued operations as against a turnover of ₹ 81,819 lakhs in the previous Financial Year. After providing for taxes, net profit was ₹ 25,408 lakhs.

DIVIDEND

Your Board of Directors are pleased to recommend final dividend of ₹ 230 per equity share, which includes a one-time special dividend of ₹ 188 per equity share for the Financial Year ended June 30, 2020. This dividend proposal is subject to approval of the Members at forthcoming Annual General Meeting of the Company.

CORPORATE SOCIAL RESPONSIBILITY

A brief outline of the Corporate Social Responsibility (CSR) Policy of the Company and the initiatives undertaken by the Company on CSR activities during the Financial Year are set out in **Annexure II** to this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. In compliance with requirements of Section 135 of the Companies Act, 2013, the Company has laid down a CSR Policy which is published on its website - <https://www.pghealthindia.com/investors/>.

BUSINESS RESPONSIBILITY REPORT

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

CORPORATE GOVERNANCE

A Report on Corporate Governance along with certificate from Secretarial Auditor thereon, as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is annexed and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 134(5) of the Companies Act, 2013, your Directors confirm that, to the best of their knowledge and belief:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) Such accounting policies have been selected and applied them consistently and made judgments and estimates that are 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 of the Company for that period;
- (c) Proper and sufficient care for the 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 fraud and other irregularities;

- (d) The annual accounts have been prepared on a going concern basis;
- (e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) 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.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Hon Keong Choo (DIN 08339749) resigned as an Additional Director (Non-Executive) effective May 10, 2019. Your Board places on record its deep appreciation for the contributions made by Mr. Hon Keong Choo during his tenure.

Mr. Aalok Agrawal (DIN 08468145) was appointed as an Additional Director (Non-Executive) of the Company effective June 1, 2019. Mr. Aalok Agrawal holds such office till the date of ensuing 53rd Annual General Meeting of the Company. The Board recommends appointment of Mr. Aalok Agrawal as Non-Executive Director, liable to retire by rotation.

Mr. Sujay Wasan (DIN 08497942) was appointed as an Additional Director (Non-Executive) of the Company effective July 1, 2019. Mr. Sujay Wasan holds such office till the date of ensuing 53rd Annual General Meeting of the Company. The Board recommends appointment of Mr. Sujay Wasan as Non-Executive Director, liable to retire by rotation.

Mr. Suresh N. Talwar (DIN 00001456) and Mrs. Rani Ajit Jadhav (DIN 07070938), Independent Directors on the Board of the Company, have confirmed to the Company that they meet the criteria of independence as prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. Suresh N. Talwar completed his tenure as an Independent Director on April 7, 2020. The Board of Directors approved his re-appointment as an Independent Director in the meeting held on February 7, 2020 for another tenure of five years effective April 8, 2020 upto March 31, 2025, subject to the approval of the Shareholders of the Company. The Shareholders accorded their approval for the said re-appointment on March 15, 2020.

Mrs. Rani Ajit Jadhav completed her tenure as an Independent Director on April 7, 2020. The Board of Directors approved her re-appointment as an Independent Director in the meeting held on February 7, 2020 for another tenure of five years effective April 8, 2020 upto March 31, 2025, subject to the approval of the Shareholders of the Company. The Shareholders accorded their approval for the said re-appointment on March 15, 2020.

Mr. Amit Gupta (DIN 08468145), Executive Director will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for re-appointment as Director of the Company. The Board recommends his re-appointment.

During the Financial Year, Mr. Jeevan Mondkar resigned as Company Secretary and Compliance Officer of the Company effective March 17, 2020. Your Board places on record its deep appreciation for the contributions made by Mr. Jeevan Mondkar during his tenure.

During the Financial Year, the Board of Directors at their meeting held on May 29, 2020, on the recommendation of the Nomination and Remuneration Committee, appointed Ms. Preeti Bishnoi as Company Secretary of the Company effective June 1, 2020.

Brief profile of Directors proposed to be appointed/re-appointed at the ensuing 53rd Annual General Meeting and the details of the Directorships held by them in other companies are provided under the Corporate Governance section of the Report.

None of the Non-Executive Directors serve as an Independent Director on more than seven listed Companies and none of the Executive Directors serve as an Independent Director on any listed Company.

During the Financial Year, none of the Directors and key managerial personnel of the Company had any material pecuniary relationship or transactions with the Company.

NUMBER OF MEETINGS OF THE BOARD

Six (6) meetings of the Board were held during the Financial Year 2019-20. For details of the meetings of the Board and its Committees, please refer to the Corporate Governance Report, which forms part of this report.

AUDITORS AND THEIR REPORT

The Shareholders at their 50th Annual General Meeting (AGM) held on May 31, 2017 had approved the appointment of M/s. Haribhakti & Co. LLP, Chartered Accountants (ICAI Firm Registration No.: 103523W/W100048), as statutory auditors of the Company, to hold office from the conclusion of the 50th AGM upto the conclusion of the 55th AGM. The Report given by the Statutory Auditors on the financial statements of the Company for the Financial Year ended June 30, 2020 is part of the Report. There has been no qualification, reservation or adverse remark given by the Auditors in their Report.

COST AUDIT

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Central Government has prescribed cost audit of the accounts to be maintained by your Company. Joshi Apte & Associates, Cost Accountants carried out the cost audit for applicable business during the Financial Year 2019-20. The Board of Directors has re-appointed Joshi Apte & Associates, Cost Accountants for the Financial Year 2020-21. The Cost Audit Report for the Financial Year ended June 30, 2020 will be filed within prescribed timelines.

A resolution for ratification of the remuneration payable to the Cost Auditor is included in the Notice of the ensuing Annual General Meeting for seeking approval of Members.

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 appended as **Annexure IV** to this Report.

MANAGEMENT & PERSONNEL

The strength of business and resilience, particularly in this year due to COVID-19 pandemic and multiple economic headwinds in the country, demonstrates the core strength of our employees to stay innovative, reality based and influence the course of business. Financial Year 2019-20 was a year of unprecedented challenges, yet our focus on delivering superiority, fueled by productivity via an empowered organization helped us deliver business results in these tough times.

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 V** to this 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 investorgrievance.im@pg.com.

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.

We constantly strive to reduce our energy consumption by taking energy savings initiatives across all our operations. These initiatives are not only limited to improvement in machinery but also optimization in the operations strategy.

In Financial Year 2019-20, some of the key initiatives taken at the Goa plant in this direction were:

1. Replacement of multiple old motors which were consuming more electricity, with high energy efficient motors.
2. Boiler shutdown on Sunday to match the operating strategy of the plant enabled by moving the maintenance practices to weekdays.
3. Chiller operation optimization by ramping down to only 1 chiller during non-working shifts instead of every operation running their own chiller.
4. Replacement of old light fixtures with LED lights which require less maintenance as well as save electricity.

In Financial Year 2020-21, your Company aspires to take these savings even further to reduce our

carbon footprint by another 10% and take measures with active participation from employees on energy conservation.

TECHNOLOGY ABSORPTION

At the Goa plant, the Company has undertaken multiple projects in this Financial Year in the area of technology absorption mainly by upgrading old systems to more updated technologies. Some key interventions are:

1. Automated powder handling system in Vitamin E dry powder manufacturing operations replacing the earlier manual system which has enabled undue exposure to employees while handling powder and has made the operation more compliant from 'good manufacturing practice' point of view.
2. SCADA system for Water Treatment Plant which allows remote operations as well as helps keep a history of the system parameters, process issues etc. which helps in better maintenance of the system.
3. Lithium Ion batteries for the UPS which is a new technology to avoid emissions / fumes, are more reliable and have a longer life.
4. Replacement of old HRC fuses with miniature circuit breakers (MCBs) and moulded case circuit breakers (MCCBs) which is again more updated technology for the panels which reduces safety risk and are reusable as well.
5. Thermal imaging for hotspots linked to the smartphones which enables quick surveillance of critical areas like panel room even while operations.

EXPENDITURE ON RESEARCH & DEVELOPMENT

(₹ in Lakhs)

Expenditure on R&D:	2019-20	2018
Capital	375	88
Recurring	859	1 624
Total	1 234	1 712
Total R & D expenditure as a percentage of total turnover	0.93%	1.33%

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 the Companies (Accounts) Rules, 2014 are mentioned below:

(₹ in Lakhs)

	For the Financial Year ended June 30, 2020	For the Financial Year ended December 31, 2018
Foreign Exchange earnings	21,750	16,363
Foreign Exchange outgo	22,897	43,681

PUBLIC DEPOSITS

Your Company has not accepted any public deposits from the public or the members of the Company during the Financial Year 2019-20.

PARTICULARS OF LOANS, AND GUARANTEES GIVEN OR INVESTMENTS MADE

Your Company has neither given any loans or guarantees nor made any investments during the Financial Year 2019-20.

MATERIAL ORDERS PASSED BY THE REGULATORS AND COURTS

During the Financial Year under review, no regulator or court has passed any significant and/or material orders impacting the going concern status of the Company and its future operations.

In 2016, the National Pharmaceutical Pricing Authority (NPPA) passed an order against the Company, for pricing one of its products at an amount higher than the applicable ceiling price during a limited period between 2006 and 2009. Consequently, the Company was asked to pay a sum of ₹ 1,168 Lakh on account of overpricing, plus an interest thereon amounting to ₹ 1,754 Lakh. The Company has challenged the said order before the Hon'ble Delhi High Court. Currently, the matter is pending before this Court. During the Financial Year, the Company has made a provision of ₹ 580 lakhs in its accounts for any liability which may arise as a result of the outcome in the abovementioned matter.

RELATED PARTY TRANSACTIONS

The Company has formulated a policy on related party transactions for the purposes of review and approval of related party transactions. The policy on related party transactions as approved by the Board is uploaded on the Company's website - <https://www.pghealthindia.com/investors/>.

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of Audit Committee is obtained for related party

transactions which are of repetitive nature and entered in the ordinary course of business and at arm's length.

There were no material related party transactions entered into by the Company during Financial Year 2019-20. All related party transactions entered during the Financial Year were in the ordinary course of 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.

VIGIL MECHANISM AND WHISTLE BLOWER POLICY

In terms of the provisions of Section 177(9) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has implemented a vigil mechanism. No employee has been denied access to the Audit Committee. The Company provides protection to employees and business associates reporting unethical practices and encourages employees to report the incidence of fraud. Whistleblower complaints and their redressal are discussed at each Audit Committee meeting of the Company.

DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

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 an Internal Complaints Committee (ICC). During the Financial Year, two complaints with allegation of sexual harassment was filed with the Company. The said complaints were closed during the Financial Year. No complaints were pending as on June 30, 2020.

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 <https://www.pghealthindia.com/investors/>.

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 VI** to this Report. The dividend distribution policy has been appended as **Annexure VII** to this Report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Secretarial Audit has been carried out by Saraf & Associates, Practicing Company Secretaries for the Financial Year ended June 30, 2020 and their report is appended at **Annexure VIII**.

Secretarial Auditor in their Audit Report have not made any adverse remark, qualifications or reservation.

SECRETARIAL STANDARDS

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

ACKNOWLEDGEMENT

The Directors wish to thank the Company's distributors, healthcare professionals, suppliers, clearing and forwarding agents, all other business associates, consumers, employees and Shareholders for their support and contributions in the growth of the Company.

On behalf of the Board of Directors

**Mumbai,
September 15, 2020**

S. N. Talwar
Chairman

ANNEXURE I

MANAGEMENT DISCUSSION & ANALYSIS REPORT

ECONOMIC SCENARIO

The International Monetary Fund (IMF) projects the Indian economy to degrow at 10.3% in 2020. Prior to the pandemic, India was already witnessing a market slowdown and weak demand. The outbreak of COVID-19, the subsequent lockdown and restrictions imposed to contain the spread of the COVID-19 pandemic resulted in disruptions which further decelerated growth. The government has introduced reforms and a slew of measures focused on driving economic recovery, which are aimed to address challenges like subdued consumption, investment and income levels. The reduction in corporate tax rate and interest rates is also a welcome move for the industry.

BUSINESS OUTLOOK

While there are short term challenges this year, the medium to long-term outlook for the healthcare sector remains positive. The government introduced several initiatives focused on local of manufacturing with specific emphasis on API. These initiatives will further strengthen the resilient Indian pharmaceutical industry and help revive economy and increase demand. As per the IMF, the Indian economy is expected to bounce back and grow by 6% in 2021-22. Good monsoon and government initiatives focused on healthcare and rural economy will provide an impetus to future growth and demand. The emergence of new distribution channels coupled with increasing digital penetration will create new opportunities for industry to reach health care professionals and consumers. However, amidst the economic uncertainty, it will be imperative for companies to focus on superior propositions and adapt quickly to meet the evolving needs. Your Company has a well-balanced portfolio in Vitamins, Minerals and Supplements including cough and cold remedies. It's growing faster than the comparable market segment and would continue to retain this lead beating negative GDP projections, thereby looking poised to excelling both on business results and on improving shareholder value.

BUSINESS PERFORMANCE 2019-20

Your Company is well known in India for its rich heritage in healthcare with brands that are household names. Despite challenging circumstances in the later part of the fiscal year due to the Covid-19 pandemic, your Company's brand franchises delivered strong results

continuing to further our commitment to bringing quality and affordable vitamins, minerals and supplements to patients, consumers and customers across the country.

Neurobion delivered strong growth fuelled by focused initiatives to build awareness on neuropathy, nerve care and the benefit of *Neurobion* across customer and consumer touchpoints. True to its brand promise, your Company's flagship brand *Neurobion Forte* has been helping true heroes fight body discomforts due to lack of Vitamin B's for over 50 years.

As a leader in the Vitamin E segment in India, *Evion* continued to create awareness on the benefits of Vitamin E among HCPs and consumers, while also taking steps towards consumerization through the new 'Nourish Your Cells' positioning.

Livogen continued to be the No.1 Doctor prescribed Iron Supplement of India. In 2019, the franchise launched the New *Livogen* Iron and Multivitamin Tonic, a comprehensive iron syrup to aid people combat tiredness and fatigue due to iron deficiency fatigue, while giving them the strength from within to lead a vibrant life.

Polybion launched the New *Polybion Active Syrup*, a superior B Complex Syrup enriched with Lysine in a sugar free tasty mango flavour base. With 6 B Vitamins and an optimum concentration of the essential amino acid Lysine, *Polybion Active* will enable patients to lead an active and energetic life.

Nasal decongestant brand *Nasivion* continued to reach consumers through Television, OTT and display mediums.

Seven Seas, aligned to its brand philosophy of helping unlock every child's true potential, launched the 'My Little Genius' campaign, encouraging parents to discover the true potential in their little one and celebrate it with the whole world.

Overall, your Company's consumer health business saw growth in 2019-20.

EXPORTS

Your Company continued to export its pharmaceutical products to third parties based out of Asia including Sri Lanka, Nepal, Myanmar & Maldives. In 2019-20, the Company's total exports for continued operations were ₹ 73.47 Crores.

FINANCIAL RATIOS

	FY 2019-20	FY 2018	% Change	Explanation for changes over 25% in the ratios, if any
Debtors turnover	11.2	9.0	25	-
Inventory turnover	7.3	6.3	17	-
Interest coverage ratio	N.A.	N.A.	N.A.	-
Current ratio	3.9	7.5	-48	Decrease in current ratio due to payout of special dividend in June 2019.
Debt equity ratio	-	-	N.A.	-
Operating profit margin	24.9%	18.1%	6.8	-
Net profit margin	17.8%	11.6%	6.2	-
Return on Networth	20.8%	9.0%	11.8	-

RISK MANAGEMENT

Your Company has set up a Risk Management Committee. The Company has also adopted a risk management policy. 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. The Company's Risk Management process focus on ensuring that these risks are identified on a timely basis and reasonably addressed.

As part of the business sustainability and governance process, in order to ensure a robust risk management system, in line with the applicable laws, the Company follows a proactive risk management policy, aimed at protecting its employees, assets and the environment, while at the same time ensuring growth and continuity of its business.

The risks are identified on a consistent process, across function/division and the Company also strives to link each risk with a mitigation step to ensure business continuity. Risk managers consistently map the risks to establish a risk management culture. The risk report is reviewed at regular intervals, to ensure that risks are planned for mitigation, for the fact that not all risks can be eliminated.

BUSINESS RELATED RISKS

The Company's performance is impacted by factors such as coverage of products under price control, ability to launch successful line extensions or product applications with proper timing, customer behaviour change, new demand development of the Company's products, impact of COVID-19 on economy, changing economic policies due to geopolitical situations,

changed composition of legacy brand product sales to total turnover, employee talent development and management, employee union negotiations, trade unions, etc.

LEGAL RISKS

The Company's business is subject to stringent compliances under various laws, such as the local pricing regulations set by the Government, FDA legislation, food safety regulations and standards, DCGI approvals and the Company's internal code of conduct with respect to compliances, including those applicable to interactions with healthcare professionals. Amendments to statutes and the compliance with applicable laws as well as policies may prove to be challenging and time consuming as it requires constant monitoring. To support such monitoring requirement, the Company has implemented an online tool which enables tracking of overall compliance requirements.

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 comply with all legal requirements at all times; to understand exactly what legal requirements apply to the work function and to immediately report any instance of violations.

A number of training programs were rolled-out for employees on various compliance related areas such as Pharma Compliance Guidelines, Global Anti-Corruption Standards, Prevention of Sexual Harassment at Workplace, Whistleblower Mechanism, Conflict of Interest, Data Integrity etc.

THIRD PARTY DEPENDENCE RISKS

The Company uses third party support in regard to manufacturing and distribution of its products. These parties have access to the Company's assets and business process. The Company uses internal control and audit measures to safeguard itself against any adverse events. Periodic audits and review of open items in audit takes place for these units throughout the year. Business interruptions could arise due to any unforeseen negative events taking place or disagreements on contractual terms and conditions with the service provider which can lead to stoppage of outsourced activities.

INFORMATION TECHNOLOGY RISKS

The Company uses varied IT systems and processes in order to have efficient data collection, monitoring and reporting. There are software related precautions like handling of data integrity, access rights, virus firewalls, data protection, social media risk, etc. The Company's guidelines and processes are in place and their adherence is continuously monitored and subject to global audits at regular intervals.

ENVIRONMENT AND SAFETY RISKS

Environment, Health and Safety encompasses the laws, rules, guidance and processes designed to help protect employees, the public and the environment from harm, further supported by group standards, current best approaches and audits at regular intervals.

There is a systematic approach for complying with environmental regulations, such as managing waste water and air emissions. This also includes hazardous and other waste management at site.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has laid down certain guidelines and processes which enables implementation of appropriate internal financial controls across the organization. Such internal financial controls encompass policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business, including adherence to its policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

Internal auditors, PricewaterhouseCoopers Private Limited (PwC), in their review report to the Audit Committee has confirmed that basis their review no significant deficiencies were established in design and

operating effectiveness of internal financial controls. The Statutory Auditors in their audit report has opined that these controls are operating effectively.

The Company follows a risk-based approach for evaluating the efficacy of its operation, to ensure the safeguard of its assets, against loss of unauthorized use, improper handling, detect and prevent frauds and timely, accurate, complete financial information. This is enabled by setting up systems, documented procedures / SOPs, policies and training to employees on such process at regular intervals, to ensure that the same is achieving its desired results.

Additionally, policies exist in the form of roles and responsibilities, code of conduct, delegation of authority that are aligned to business process and planning. To continuously improve efficiencies, the Company continued to sync its business process and operations framework within automated ERP workflow and controls which integrate key functions such as operations, manufacturing, supply chain, marketing, sales, finance and HR. This helps facilitate the Company's ability to respond appropriately to risks and to achieve the Company's objectives and helps ensure compliance with applicable laws, regulations and internal policies.

To further augment the internal controls, the Company engaged PwC, who were internal auditors of the Company for the Financial Year 2019-20. The internal audit program covers the entire operations of the Company including procurement, manufacturing and distribution, all types of assets, internal and external supports partners, financial closing processes, recruitment to retirement process, production planning and inventory management process, legal compliances, payment and treasury management, sales order management, marketing, sales, cash collection process, taxation, etc.

An internal audit plan is developed based on the risk profile of the business activities. The internal audit plan is reviewed by the Audit Committee. The Internal Auditor evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal auditor, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee. The Audit Committee reviews the reports submitted by the Internal Auditor.

In order to further implement good corporate governance practices, Audit Committee periodically discusses with statutory and internal auditors on their views of financial statements, compliance to accounting policies, information flow from the Company to them for conducting their area of work, adequacy and effectiveness of internal control and systems within the Company. The weakness in the processes, if any, identified are taken note of and new procedures are put in place to strengthen them. The control mechanisms set are also reviewed at regular intervals.

HR INITIATIVES

Your Company operates in a highly competitive environment with respect to 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.

Our policies on leadership pipeline, talent planning, mentoring and diversity & inclusion policies continue to ensure that we attract and retain the best talent. We have onboarded and empowered our new hires towards success using a virtual App based Onboarding program this year. Building organization capability continues to be a key focus area for us and we continue to organize virtual learning sessions and trainings under the umbrella of 'Level Up'.

Our 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, P&G was 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, 2020 was 1093.

ANNEXURE II

CORPORATE SOCIAL RESPONSIBILITY REPORT

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes

As a responsible Healthcare Company, in 2019-2020, your Company decided to channelize all its CSR efforts towards building a Healthier India with a new CSR umbrella program - 'SEHAT' (meaning Health).

With SEHAT, our aspiration is to make a sustainable impact to Public Health in India. Projects under SEHAT include, but are not limited to Preventive Health, Community Health and Public Health interventions; Health Awareness, screening and education; Financial Support for Healthcare needs of marginalized & underprivileged communities; Capability-Building of Healthcare Professionals, Healthcare Infrastructure and Healthcare Assistance as part of disaster relief and support.

Projects under SEHAT are co-created and implemented with reputable public health and non-profit partner organizations.

Details of our CSR programs are available on our website – <https://www.pghealthindia.com/csr/>.

Our Corporate Social Responsibility Policy is also available under Policies in the Investors section of our website - <https://www.pghealthindia.com/investors/>.

2. The composition of the CSR Committee

As on the date of this report, CSR Committee of the Company comprises of 3 members.

Mr. Suresh N. Talwar	Chairman
Mr. Milind Thatte	Member
Mr. Amit Gupta	Member

3. Average net profit of the Company for last three Financial Years for the purpose of computation of CSR: ₹ 151.70 Crores

4. Prescribed CSR Expenditure (2% of amount as in item 3): ₹ 3.03 Crores

5. Details of CSR spent during the Financial Year

During the Financial Year 2019-20, your Company has spent ₹ 3.11 Crores on CSR activities.

Details of the CSR activities undertaken by the Company during the Financial Year are as follows:

(1) 'P&G Health Public Health Scholarship' Program – In partnership with 'Public Health Foundation of India' (PHFI), a recognized leader in Public Health program implementation.

India requires a massive public health workforce which can complement medical caregivers; supporting them to use limited resources efficiently, assist in better implementation of health policies, effect affordability, and promote healthy behaviour.

With the twin-fold objective of (1) helping build a Public Health Cadre to address India's complex set of existing and emerging public health challenges and (2) support interested candidates to choose public health as a career opportunity to improve health conditions and thus, quality of life (QoL) of Indians - Your Company instituted the 'P&G Public Health Scholarship' for deserving students from socially & economically deprived communities seeking to pursue 'Masters in Public Health' across PHFI's IIPH (Indian Institute of Public Health) Institutes. The scholarship program aims to also encourage scholars to take up role in non-governmental organisations and backward areas of the country to implement public health programs.

The selection process for P&G Public Health Scholarship was based on the Institutional guidelines, including but not restricted to merit and demonstrated need. Advertisement announcing 'P&G Public Health scholarship' was published on the PHFI website, sent via email to students and the scholarship form was uploaded on PHFI website. The scholarship committee - under the Chairmanship of Vice President, Academics, Public Health Foundation of India - reviewed all scholarship applications received from the self-sponsored candidates selected for MPH program across IIPHs based on criteria established by PHFI. Candidates belonging to socially and economically weaker sections of society were given preference for award of scholarships. Finally, the scholarship was awarded to the students by IIPHs after verification of their original documents, testimonials and work experience certificates in public health.

In 2019-20 session, 34 P&G Health Scholars initiated their career in public health across the three Indian Institutes of Public Health (IIPHs) at Gandhinagar, Delhi NCR, and Hyderabad with the

help of the 'P&G Public Health scholarship' with the aspiration to become tomorrow's change makers.

(2) 'P&G Health Swasthya Sakhi' Program – In partnership with 'Public Health Foundation of India'

Access to affordable screening, diagnostics & epidemiological data continues to be a major hurdle in India.

With the objective of initiating a Maternal & Child Health Community Project that can contribute to Employment, Entrepreneurship and access to affordable screening, diagnostics & digital health, PGHL in partnership with PHFI instituted the 'Swasthya Sakhi' (Health companions) project in Sitapur District of Uttar Pradesh, and districts across North & South Goa Districts of Goa.

Under this project, Swasthya Sakhis, selected by PHFI from the District Communities and empowered with PHFI's Technological Innovation 'Swasthya Sahayak' (SS) - a portable/backpack sized point-of-care information gathering & diagnostic tool - have been deployed to seek & digitize health information of families including conducting diagnostics of pregnant women & to refer high-risk cases to Public Health Centres.

PHFI's Swasthya Sahayak, represents a paradigm shift in the approach to providing care for our most vulnerable of populations. It is an affordable system that integrates patient registration, on the spot digitization, multiple point of care diagnostics and decision support system in a single device. It allows users to deliver care in the domiciliary settings, in clinics, and just about anywhere. The system stores electronic medical records both locally on the tablet and also pushes the data onto a cloud thus enabling offline/online operations. The tests which can be conducted using Swasthya Sahayak include Blood Pressure, Body Temperature, Pulse Oximeter, Urine Protein and Sugar, Blood Hemoglobin, Blood Sugar, Malaria test, Pregnancy test. SS also contains decision support tools to enable users to deliver quality recommendations for achieving better health.

The project was kickstarted in Sitapur District of UP, with selection by PHFI of Swasthya Sakhis from the Community as per PHFI's pre-defined criteria. 50 Swasthya Sakhis were subsequently trained by PHFI on health aspects, device usage, community communication and began working

in their assigned territories taking much needed point-of-care diagnostics to the last mile. The Swasthya Sakhis till date have reached out to >60000 Households offering diagnostic services to 200000 beneficiaries and 2000 pregnant women in Sitapur District.

Due to the onset of Covid-19 and subsequent lockdowns, field work by Swasthya Sakhis had been temporarily paused in line with advisories issued by the Government and keeping in mind the safety of both the Sakhis and the beneficiaries. During this time, the Swasthya Sakhis were also trained on Covid-19 symptom identification and precautionary measures. Field work is now slowly resuming as per local area guidelines and the project aims to reach ~ 600000 beneficiaries over the next 6 months with this innovative health technology.

In January'20, the Swasthya Sakhi project was launched in the state of Goa by Hon. Minister Smriti Irani (Union Minister of Women and Child Development, and Textiles), Hon. Minister Dr. Pramod Sawant (Chief Minister of Goa), Hon. Minister Vishwajit P Rane (Minister of State for Health, Women and Child Development, Skill Development, Industries, Trade and Commerce & Law and Judiciary), Dr. K Srinath Reddy (President- Public Health Foundation of India) and Mr. Milind Thatte (Managing Director – Procter & Gamble Health Limited).

Further to the launch, PHFI worked in collaboration with the Directorate of Health Services Goa for identification of districts and health centers for intervention. Subsequently, 28 Swasthya Sakhis from the Community and 56 Government ANMs have been trained on the Maternal & Child Health application of PHFI's Swasthya Sahayak device, with the aim of reaching >100000 beneficiaries and helping improve the delivery of reproductive and maternal health services.

(3) 'Gift of Health' Program – In partnership with 'Catalysts for Social Action' (CSA), an NGO that works with Children in Need of Care & Protection (CNCP)

An estimated 370000 children stay in childcare institutions (CCIs) in India; only an estimated 3000 children per year get adopted. Improving children's health & hygiene conditions at these CCIs is important towards ensuring a good base for development of children.

With the objective of supporting health needs of children under institutional care, the Company instituted the 'Gift of Health' program as the Healthcare Partner to 'Catalysts for Social Action' to provide health and hygiene support to 2000+ children in age group of 6-18 years residing at 50+ CCIs across Maharashtra, Madhya Pradesh, Odisha and Goa.

Activities included regular Health check-up camps, distribution of hygiene kits and sanitary napkins, and awareness sessions on good hygiene and dental care practices.

During the Financial Year, 2071 children from 43 CCIs were covered in the first round of check-ups, and 2165 children from 54 CCIs were covered in the second round of check-ups which included ENT, Dental, Gynaec, Eye, Skin. Over 88% children did not have any ailments. Deworming was also done for all the children, and nutritional plans were modified to support children with low BMIs. A treatment contingency fund was also provisioned and utilized for need-based treatment such as seasonal diseases and infections, wounds and injuries.

(4) Covid – 19 Support - Stepping up as a 'Force For Good', your Company extended the following support to Public Health Workers; and to vulnerable populations through Partner NGOs for Covid-19 Prevention and Relief Efforts:

- (a) The Company donated 100000 Protective Gloves to MCGM Public Health Workers.
- (b) 1000 Personal Protective Suits (PPEs) were donated to Maharashtra Public Health Workers
- (c) 1000 PPEs were donated to the Confederation of Indian Industry (CII) for Himachal Pradesh Public Health Workers
- (d) 1200 Grocery kits were donated to support affected populations through Ponda District Deputy Collector's office.

- (e) Hygiene materials, essential food items and groceries were provided to ~1800 children at 35 identified Child Care Institutions through partner NGO 'Catalysts for Social Action' (CSA).
- (f) 200 Survival Kits comprising Groceries, Household supplies and Hygiene materials were distributed to Elderly Self-Help Group (ESHG) members of Godhuli at Bhatapara Block of Balodabazer district, Chhattisgarh through partner NGO 'HelpAge India'.
- (g) Soaps were also donated to HelpAge India to distribute among disadvantaged elderly population for Covid-19 prevention efforts.

(5) Daan Utsav 'Post & Give Challenge' – In partnership with 'Give Foundation' and 'HelpAge India

Joining the Country in celebrating 'Daan Utsav' (India's biggest festival of Giving celebrated every year from 2nd to 8th October marking the birth anniversary of Mahatma Gandhi), the Company's employees across India got together to engage in different acts of 'giving' - each day signifying an act- which they were asked to post and share. For every act of 'Giving', your Company committed to match an amount towards HelpAge India's community outreach health initiative for disadvantaged elderly. In just one week, employees touched and impacted over 2000 lives with their individual acts of giving together raising ₹ 400000 for HelpAge India.

- 6) Running for a Cause** – Your Company's employees participated in the Tata Mumbai Marathon 2020 running for partner NGO 'Catalysts for Social Action' (CSA) for the cause of Children in Need of Care & Protection (CNCP).
- 7) Maharashtra Floods** - Stepping up as a 'Force For Good', your Company donated 10000 First Aid Kits towards disaster relief efforts.

Manner in which the amount spent during the Financial Year is detailed in table 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 the State and District where projects or programs were	Amount Outlay (budget) project or program wise ₹	Amount spent on projects or programs Subheads:			Cumulative Expenditure upto the reporting period ₹	Amount Spent: Direct or through implementing agency
					Direct Expenditure	Overheads	Total		
					₹	₹	₹		
1	'P&G Health Public Health Scholarship' Program – In partnership with 'Public Health Foundation of India'	Public Health, Capability Building of Healthcare Professionals	Indian Institutes of Public Health (IIPHs) at Gandhinagar, Delhi NCR, and Hyderabad	20,00,000	20,00,000	-	20,00,000	20,00,000	Through NGO
2	'P&G Health Swasthya Sakhi' Program – In partnership with 'Public Health Foundation of India'	Digital Health, Preventive Health, Community Health and Public Health interventions; Health Awareness, screening and education; Women Empowerment & Livelihood	Sitapur District UP, North and South Goa	2,10,27,600	2,10,27,600	-	2,10,27,600	2,10,27,600	Through NGO
3	'Gift of Health' Program – In partnership with 'Catalysts for Social Action' (CSA)	Health Awareness, screening and education; Financial Support for Healthcare needs of marginalized & underprivileged communities	50+ CCIs across Maharashtra, Madhya Pradesh, Odisha and Goa	31,53,848	31,53,848	-	31,53,848	31,53,848	Through NGO
4	Covid – 19 Donations: 100000 Protective Gloves to MCGM Public Health Workers	Healthcare Assistance as part of disaster relief and support.	Maharashtra	4,00,000	4,00,000	-	4,00,000	4,00,000	Gloves procured and donated to MCGM
5	Covid – 19 Donations: 1000 Personal Protective Suits (PPEs) were donated to Maharashtra Public Health Workers	Healthcare Assistance as part of disaster relief and support.	Maharashtra	7,46,390	7,46,390	-	7,46,390	7,46,390	PPEs procured and donated to Public Health Department

Sr No	CSR Project or Activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were	Amount Outlay (budget) project or program wise ₹	Amount spent on projects or programs Subheads:			Cumulative Expenditure upto the reporting period ₹	Amount Spent: Direct or through implementing agency
					Direct Expenditure	Overheads	Total		
					₹	₹	₹		
6	Covid – 19 Donations: 1000 PPEs were donated to the Confederation of Indian Industry (CII) for Himachal Pradesh Public Health Workers	Healthcare Assistance as part of disaster relief and support.	Himachal Pradesh	9,97,650	9,97,650	-	9,97,650	9,97,650	PPEs procured and donated to CII
7	Covid – 19 Donations: 1200 Grocery kits donated to support affected populations through Ponda District Deputy Collector's office	Healthcare Assistance as part of disaster relief and support.	Goa	6,00,000	6,00,000	-	6,00,000	6,00,000	Grocery Items procured and donated to the DC's Office
8	Covid – 19 Donations: Hygiene materials and essential food items and groceries were provided to ~1800 children at 35 identified Child Care Institutions through partner NGO Catalysts for Social Action (CSA)	Healthcare Assistance as part of disaster relief and support.	Maharashtra, Madhya Pradesh, Orrisa	5,00,000	5,00,000	-	5,00,000	5,00,000	Through NGO
9	Covid – 19 Donations: 200 Survival Kits comprising Groceries, Household supplies and Hygiene materials were distributed to Elderly Self- Help Group (ESHG) members of Godhuli at Bhatapara Block of Balodabazer district, Chhattisgarh through partner NGO HelpAge India.	Healthcare Assistance as part of disaster relief and support.	Balodabazer district, Chhattisgarh	3,00,000	3,00,000	-	3,00,000	3,00,000	Through NGO

Sr No	CSR Project or Activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and District where projects or programs were	Amount Outlay (budget) project or program wise ₹	Amount spent on projects or programs Subheads:			Cumulative Expenditure upto the reporting period ₹	Amount Spent: Direct or through implementing agency
					Direct Expenditure	Overheads	Total		
					₹	₹	₹		
10	Covid-19 Donations: Soaps to HelpAge India	Healthcare Assistance as part of disaster relief and support.	Pan-India	4,05,000	4,05,000	-	4,05,000	4,05,000	Procured and Donated
11	Daan Utsav 'Post & Give Challenge' – In partnership with 'Give Foundation' and 'HelpAge India	Health Awareness, screening and education	Pan-India	4,00,000	4,00,000	-	4,00,000	4,00,000	Through NGO
12	Running for a Cause – PGHL Employees participated in the Tata Mumbai Marathon 2020 running for our partner NGO 'Catalysts for Social Action' for the cause of Children in Need of Care & Protection (CNCP)	Health Awareness, screening and education, Financial Support for Healthcare needs of marginalized & underprivileged communities	Pan-India	3,00,000	3,00,000	-	3,00,000	3,00,000	Through NGO
13	10000 First Aid Kits towards Maharashtra Floods disaster relief efforts	Healthcare Assistance as part of disaster relief and support.	Maharashtra	3,02,500	3,02,500	-	3,02,500	3,02,500	Procured and Donated
Total				3,11,32,988	3,11,32,988	-	3,11,32,988	3,11,32,988	

In case the Company has failed to spend the two per cent 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**

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

Suresh N. Talwar

Chairman, Corporate Social Responsibility Committee

Milind Thatte

Managing Director

ANNEXURE III BUSINESS RESPONSIBILITY REPORT

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

Sr. No.	Particulars	Details
1.	Corporate Identity Number (CIN) of the Company	L99999MH1967PLC013726
2.	Name of the Company	Procter & Gamble Health Limited (erstwhile Merck Limited)
3.	Registered address	Godrej One, 8 th Floor, Pirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai - 400079
4.	Website	https://www.pghealthindia.com/
5.	E-mail id	investorgrievance.im@pg.com
6.	Financial Year reported	January 1, 2019 to June 30, 2020
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Pharmaceutical products
8.	List three key products / services that the Company manufactures / provides	Healthcare products
9.	Total number of locations where business activity is undertaken by the Company	
	(a) Number of International Locations	None
	(b) Number of National Locations	The Company's business and operations are spread across the country. Details of location of plants are given below: Plant location: Plot No. 11/1, Marvasodo Usgaon, Taluka Ponda, Goa - 403 407
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	₹ 16.59 Crores
2.	Total Turnover	₹ 1,329.21 Crores
3.	Total profit after taxes	₹ 254.08 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Refer Corporate Social Responsibility Report which is appended as Annexure II to the Directors' Report
5.	List of activities in which expenditure in point 4 above has been incurred	Refer Corporate Social Responsibility Report which is appended as Annexure II to the Directors' Report

SECTION C: OTHER DETAILS

Sr. No.	Particulars	Details
1.	Does the Company have any Subsidiary Company / Companies?	Your 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?	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 supplier 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(s) 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 CSR Committee, which is responsible for implementation of the Business Responsibility policies:

Sr. No.	Name	Designation	DIN
1.	Mr. Suresh Talwar	Independent Director	00001456
2.	Mr. Milind Thatte	Managing Director	08092990
3.	Mr. Amit Gupta	Executive Director	08295179

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 the Right Thing, Everytime”. Your Company operates 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* (PVPs). Your 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. These standards flow from the following core values of the Company:

- i. Treat the Company's assets as you would treat your own;
- ii. Behave with the Company's long term success in mind;
- iii. Always do the right thing; and
- iv. 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 follows 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	https://us.pg.com/policies-and-practices/worldwide-business-conduct-manual/								
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

Note: Y = Yes

Governance related to Business Responsibility

Your Company operates 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 stakeholders. We maintain governance principles, policies and practices that support management accountability. These are in the best interest of the Company, our shareholders and all stakeholders, and they are consistent with the Company's *Purpose, Values and Principles*.

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.pghealthindia.com.

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* (PVPs) 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 PVPs. Your 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. 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. Calls made to the Helpline are reported to the Company's Corporate Security, Global Internal Audit and Legal personnel, who 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 Obligations & Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013 and the Rules made thereunder, the Company has adopted the Whistle Blower Policy as the vigil mechanism for Directors

and employees to report 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 cases reported alongwith the status and action taken (if any) are reported to the Committee. During the Financial Year, 6 complaints were received, which are 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. Our purpose is to make superior products that not only delight consumers but are also produced responsibly. We provide products of superior quality and value that improve the lives of the 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 continuously strives to deliver products with an improved environmental profile.

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
- Encouraging diverse workforce, non-discriminated opportunities
- Continuous Learning, etc.

As a company we know that people—or human capital—are the heart of any successful enterprise. Human capital drives every aspect of an organization's operations, from technology and product design to distribution networks and service delivery. Considering the vital role human capital plays in

a firm's ability to compete in the global economy, your Company is always seeking new ways to tap this potential. Your Company facilitates and speeds up expansion with a clear roadmap "SMILE" (S - Seamless Teams, M - Meaningful Work, I - Inclusion & Diversity, L - Leadership & Capability Building, E - Empowered and Entrepreneurial Organization). We leverage Talent Exposure and Growing talent from within through diverse workforce. One way to build competitive advantage for our organization is to improve the health status and well-being of our employees. P&G offers around the globe an Employee Assistance Program, that all the employees and their family members can use to receive counselling, talk to a professional coach/ therapist across a spectrum of topics both personal and work related.

To ensure health and safety of all employees during COVID-19 pandemic through the platform of "Vibrant Living", we have institutionalized work from home as well as building awareness through regular communications and regular updates on fitness plan in order to stay fit and healthy. Even at our plant level, we ensure safety measures through social distancing, sanitization, thermal screening and pick up and drop facilities for our employees. Therefore, developing healthier employees will result in a more productive workforce.

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

We have various Employee Centric policies in place thereby resulting in motivated work force and better organization to work with. Key processes such as Stewardship and Governance, and Prevention of Sexual Harassment (PoSH) have been institutionalized making employees more aware. Your Company recognizes achievements or accomplishments of employees that contribute to the overall objectives of the organization by recognizing the individual/team efforts as well by celebrating long service anniversaries. There is sustained focus on strengthening Diversity & Inclusion, Skill & Capability Development, Recruitment practices, Learning and development opportunities, and on building digital capabilities and a stronger connect with and among our best-in-class people. Thus to conclude, with some creativity and innovative planning, we are making the health and work equation add up to a higher performing and more prosperous organization.

Your Company has constituted Internal Complaints Committee ("ICC") as per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and Rules made thereunder and has set in place, a policy on prevention of Sexual Harassment at Workplace ensuring that all persons at the workplace are treated with dignity and respect. Induction sessions for new recruits and awareness programs for employees on prevention of sexual harassment are conducted on a regular basis.

As on June 30, 2020, your Company had a total of 1093 permanent employees, including 118 permanent women employees and 2 permanent employees with disabilities. 477 persons were engaged on temporary / contractual basis. There is an employee association that is recognized by management, having 9.97% of permanent employees being members of the association. During the Financial Year under review, the Company did not receive any complaints relating to child labour, forced labour, involuntary labour, or discriminatory employment. Your Company had received two complaints on sexual harassment, which were resolved during the year and no complaints were pending as on June 30, 2020. All the employees and persons engaged on temporary / contractual basis were given safety & skill up-gradation training.

Principle 4: Stakeholder Engagement & Relation

Your Company acknowledges that improving transparency, respecting human and labor rights and sourcing responsibly is an enormous challenge and progress will be made through a journey of collaboration and engagement with our stakeholders. Thus, we seek meaningful collaboration and engagement with our stakeholders including employees, healthcare professionals, shareholders, consumers, communities, external business partners, authorities, NGOs, industry/business associations and the government.

Your Company also 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 under SEHAT. Projects under SEHAT include, but are not limited to preventive health, community health and public health interventions, health awareness, screening and education, financial support for healthcare needs of marginalized & underprivileged communities, capability-building of healthcare professionals,

healthcare infrastructure and healthcare assistance as part of disaster relief and support.

The Company's CSR initiatives are elaborated in the CSR Report which is appended as **Annexure II** 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. Your Company 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.

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 a responsible corporate citizen, Environmental sustainability is one of our focus areas and we continue to positively impact the communities we operate in. For your Company, acting responsibly is core to the way we do business.

At the Goa plant, we continue to strive for very high standards of safety and sustainability. We have a very

active Environment, Health & Safety (EHS) team in the plant working on all the key safety programs and upgradation of systems to make it more safe for the plant employees and community in general. In this financial year, we have invested heavily into making our old infrastructure safer to operate especially in the areas of electrical safety and machine safety. We have also invested a lot of time in various system audits which has enabled us to identify even more areas of improvement and in the coming financial year, we will continue to invest into these actions.

On the sustainability front, we continue to strive to reduce our energy and water footprints. The team has done multiple interventions in the plant to reduce energy consumption by not only working on the plant and machinery but also operating strategy like ramping down utilities in low production times. We have also achieved "zero waste to landfill" certification within the company this year where 100% of our solid waste is now being utilized instead of being sent to landfill. In the coming financial year, we are targeting to further reduce our energy and water footprint.

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 chambers of association:

- The Organisation of Pharmaceutical Producers of India (OPPI)
- Indian Society Clinical Research (ISCR)

Some of the key issues on which your Company engaged with the Government in Financial Year 2019-20 through OPPI include:

- Over the Counter (OTC) medicines regulations
- Processes and regulations related to New drug approvals in India
- Matters related to export of formulations/ Active Pharmaceutical Ingredients (APIs) during pandemic situation.

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. This strategy has inspired an enduring CSR strategy supported by– P&G *SEHAT*. Your Company has undertaken CSR initiatives during the Financial Year amounting to ₹ 3.11 Crores which are detailed in the CSR Report which is appended as **Annexure II** 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 with our communication based on the consumer insights, 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, creating superiority in our product, packaging, in field executions and consumer value proposition is most important for us. Providing Superiority in all aspects to the consumers is at the heart of your Company's business.

It's how we delight consumers, create value and create new businesses. Your Company combines “what's needed” with “what's possible,” conducting many consumer researches each year to understand what people need and want, in order to create superior value and product experience every day.

ANNEXURE IV
EXTRACT OF ANNUAL RETURN (FORM MGT-9)
As on the financial year ended on June 30, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sr. No.	Particulars	Details
i)	CIN	L99999MH1967PLC013726
ii)	Registration Date	26-04-1967
iii)	Name of the Company	Procter & Gamble Health Limited (formerly Merck Limited)
iv)	Category of the Company	Public Limited Company
v)	Sub Category of the Company	Company having share capital and limited by shares
vi)	Whether shares listed on recognized Stock Exchange(s)	Yes
vii)	Name and Registered Office Address of Company	
	Company Name	Procter & Gamble Health Limited (formerly Merck Limited)
	Address	Godrej One, 8 th Floor, Pirojshanagar, Eastern Express Highway, Vikhroli
	Town / City	Mumbai
	State	Maharashtra
	Pin Code	400 079
	Country Name	India
	Country Code	+91
	Telephone	022 - 6866 9000
	Fax Number	022 - 2518 6828
	Email Address	investorgrievance.im@pg.com
	Website	www.pghealthindia.com
viii)	Name and Address of Registrar & Transfer Agents (RTA):- Full address and contact details to be given	
	Registrar & Transfer Agents (RTA):-	KFin Technologies Private Limited
	Address	Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nana Kramguda Hyderabad, Telangana (India) Toll Free No: 1800-3454-001 Website: www.kfintech.com
	Town / City	Hyderabad
	State	Telangana
	Pin Code:	500 032
	Telephone	+91 40-6716 2222
	Email Address :	einward.ris@kfintech.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Pharmaceutical Products	21002	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary / Associate	% of Shares held	Applicable Section
1	The Procter & Gamble Company, USA (Ultimate holding Company)	Not applicable (Foreign Company)	Holding Company	51.82 % (through its subsidiary)	2 (46)
2	Procter & Gamble Overseas India B.V., Netherlands (Holding Company)	Not applicable (Foreign Company)	Holding Company	51.82 % (directly)	2 (46)

The Company does not have any subsidiary or associate companies.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Shareholding:

Sr. No.	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters										
1. Indian										
	Bodies corporate	-	-	-	-	-	-	-	-	-
2. Foreign										
	Bodies corporate	8599945	1126	8601071	51.82	8601071	-	8601071	51.82	0.00
	Total Promoter Shareholding (A)	8599945	1126	8601071	51.82	8601071	-	8601071	51.82	0.00
B. Public Shareholding										
1. Institutions										
	Mutual funds	156822	1200	158022	0.95	778873	1200	780073	4.70	3.75
	Alternate Investment Funds	-	-	-	-	-	-	-	-	-
	Financial Institutions/ Banks	2593	809	3402	0.02	5388	809	6197	0.04	0.02
	Insurance Companies	1048050	-	1048050	6.31	1021284	-	1021284	6.15	-0.16
	FPI	609894	-	609894	3.68	790703	-	790703	4.76	1.08
	Sub Total (B)(1)	1817359	2009	1819368	10.96	2596248	2009	2598257	15.65	4.69
2. Non-Institutions										
Bodies Corporate										
	- Indian	483163	3706	486869	2.93	443045	3165	446210	2.69	-0.24
	- Overseas	81	-	81	0.00	81	-	81	0.00	0.00
Individuals										
	- Individual shareholders holding nominal share capital up to ₹ 2 lakh	3934598	231318	4165916	25.10	3822260	177945	4000205	24.10	-1.00
	- Individual shareholders holding nominal share capital in excess of ₹ 2 lakh	1070068	-	1070068	6.45	561943	-	561943	3.39	-3.06
Others										
	- NBFCs	1539	-	1539	0.01	-	--	-	-	-0.01
	- Clearing Members	17052	-	17052	0.10	20828	-	20828	0.13	0.03
	- NRI (Rep + Non Rep)	268154	205	268359	1.62	277109	205	277314	1.67	0.05
	- Trust	5959	-	5959	0.04	2928	-	2928	0.02	-0.02
	- IEPF	39149	-	39149	0.23	38569	-	38569	0.23	0.00
	- Alternate Investment Fund	123951	-	123951	0.75	51976	-	51976	0.31	-0.44
	Sub Total (B)(2)	5943714	235229	6178943	37.22	5218739	181315	5400054	32.53	-4.69
	Total Public Shareholding (B)	7761073	237238	7998311	48.18	7814987	183324	7998311	48.18	0.00
C. Shares held by Custodian for GDRs & ADRs										
		-	-	-	-	-	-	-	-	-
	Grand Total (A+B+C)	16361018	238364	16599382	100.00	16416058	183324	16599382	100.00	0.00

ii) Shareholding of Promoter:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Procter & Gamble Overseas India B.V.	8601071	51.82	-	8601071	51.82	-	0.00
Total		8601071	51.82	-	8601071	51.82	-	0.00

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	Name of Shareholder	Shareholding at the beginning and end of the year		Date of change in shareholding	Increase/ Decrease in shareholding	Reason for increase / decrease	Cumulative Shareholding during the year	
		No. of shares	% of total Shares of the Company				No. of shares	% of total Shares of the Company
There was no change in Promoter shareholding during the Financial Year 2019-2020.								

iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No	Shareholder's Name For each of the Top Ten Shareholders*	Shareholding at the beginning of the year.		Cumulative Shareholding at the end of the year.		% change in shareholding
		No. of Shares	% of total Shares	No. of Shares	% of total Shares	
1	Life Insurance Corporation of India	675914	4.07	645587	3.89	-0.18
2	General Insurance Corporation of India	200000	1.20	203561	1.23	0.03
3	Hemendra M. Kothari	177000	1.07	146895	0.88	-0.19
4	The New India Assurance Company Limited	172136	1.04	172136	1.04	0.00
5	Ashish Kacholia	160755	0.97	0	0.00	-0.97
6	Vanaja Sundar Iyer	144195	0.87	0	0.00	-0.87
7	Rati Farhad Forbes	143800	0.87	141470	0.85	-0.02
8	TVF Fund Ltd	105409	0.64	281320	1.69	1.05
9	Motilal Oswal Focused 25 Fund	0	0.00	99411	0.60	0.60
10	IIFL Focused Equity Fund	36000	0.22	85504	0.52	0.30

* The shares of the Company are traded on a daily basis and hence the date wise increase / decrease in shareholding is not indicated.

v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Directors:					
1	Mr. Suresh N. Talwar	5914	0.03	5914	0.03
2	Ms. Rani A. Jadhav	Nil	-	Nil	-
3	Mr. Milind Thatte	Nil	-	Nil	-
4	Mr. Amit Gupta	Nil	-	Nil	-
5	Mr. Sujay Wasan	Nil	-	Nil	-
6	Mr. Aalok Agrawal	Nil	-	Nil	-
Key Managerial Personnel:					
9	Mr. Jeevan Mondkar*	Nil	-	Nil	-
10	Ms. Preeti Bishnoi#	Nil	-	Nil	-
Total		5914	0.03	5914	0.03

* Erstwhile Company Secretary resigned on March 17, 2020.

Appointed as Company Secretary on June 1, 2020.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-
A. Remuneration to Managing Director, Whole-time Directors:

(₹ in lakhs)

Sr. No.	Particulars of Remuneration	Mr. Milind Thatte, Managing Director	Mr. Amit Gupta, Whole Time Director	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	257.45	212.71	470.16
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.64	0.24	0.88
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission - as % of profit -	-	-	-
5	Others, please specify	-	-	-
Total (A)		258.09	212.95	471.04
Ceiling as per Act		1,814.88	1,814.88	3,629.77

B. Remuneration to other directors

(₹ In lakhs)

Sr. No.	Particulars of Remuneration	Total Amount		
		Mr. Suresh N. Talwar	Ms. Rani Ajit Jadhav	Total
1	Independent Directors			
	• Fee for attending board committee meetings	6.60	5.00	11.60
	• Commission	18.00	12.00	30.00
	Total	24.60	17.00	41.60
	Ceiling as per Act	-	-	362.98

C. Remuneration to key managerial personnel other than Managing Director/Whole-Time Director

(₹ In lakhs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		Mr. Jeevan Mondkar, Erstwhile Company Secretary ¹	Ms. Preeti Bishnoi, Company Secretary ²	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	35.55	2.14	37.69
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.05	0.21	0.26
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- Others, specify...	-	-	-
5	Others, please specify	-	-	-
	Total	35.60	2.35	37.95

1. Mr. Jeevan Mondkar ceased to be Company Secretary effective March 17, 2020

2. Ms. Preeti Bishnoi was appointed as Company Secretary effective June 1, 2020

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties, punishment or compounding of offence during the Financial Year ended June 30, 2020.

ANNEXURE V

Statement of Disclosure of Remuneration under Section 197 of Companies Act, 2013 and Rule 5(1) of 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	Remuneration (₹ in lakhs)	Commission (₹ in lakhs)	Sitting Fees (₹ in lakhs)	Total (₹ in lakhs)	Ratio
Mr. Milind Thatte	Managing Director	258.09	—	—	258.09	49.81
Mr. Suresh N. Talwar	Independent Director	—	18.00	6.60	24.60	4.75
Ms. Rani A. Jadhav	Independent Director	—	12.00	5.00	17.00	3.28
Mr. Amit Gupta	Executive Director & CFO	212.95	—	—	212.95	41.12
Mr. Hon Keong Choo*	Non-Executive Director	—	—	—	—	—
Ms. Aalok Agrawal#	Non-Executive Director	—	—	—	—	—
Mr. Sujay Wasan [§]	Non-Executive Director	—	—	—	—	—

* Mr. Hon Keong Choo resigned as Director effective May 10, 2019

Mr. Aalok Agrawal was appointed as Non-Executive Director effective June 1, 2019

§ Mr. Sujay Wasan was appointed as Non-Executive Director effective July 1, 2019

ii. % increase in remuneration of Director, Managing Director, Chief Financial Officer and Company Secretary in the Financial Year

Name of Director/Key Managerial Personnel	Designation	Increase in remuneration
Mr. Suresh N. Talwar	Independent Director	9%
Ms. Rani A. Jadhav	Independent Director	14%
Mr. Milind Thatte	Managing Director	20%
Mr. Amit Gupta	Executive Director & CFO	10%
Mr. Jeevan Mondkar*	Company Secretary	9%
Ms. Preeti Bishnoi#	Company Secretary	N.A.
Mr. Aalok Agrawal [§]	Non-Executive Director	N.A.
Mr. Sujay Wasan [®]	Non-Executive Director	N.A.

* Mr. Jeevan Mondkar resigned as Company Secretary effective March 17, 2020.

Ms. Preeti Bishnoi was appointed as Company Secretary effective June 1, 2020. As this is her first year as Company Secretary, disclosure regarding increase in remuneration is not applicable.

§ Mr. Aalok Agrawal was appointed as Non-Executive Director effective June 1, 2019. No remuneration is paid by the Company to Mr. Aalok Agrawal, hence disclosure regarding increase in remuneration is not applicable.

® Mr. Sujay Wasan was appointed as Non-Executive Director effective July 1, 2019. No remuneration is paid by the Company to Mr. Sujay Wasan, hence disclosure regarding increase in remuneration is not applicable.

iii. The % increase in the median remuneration of employees in the Financial Year is 9%.
iv. The number of permanent employees on the rolls of Company as on June 30, 2020 is 1093.

- 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:**

Average increase in the remuneration of salaries of the employees is based on a detailed performance evaluation which inter-alia include their performance viz-a-vis the objectives achieved by them during the year. The overall financial performance of the Company is also taken into consideration while arriving at the average percentage increase of the salaries of employees. Salaries of employees is adjusted periodically against the industry benchmark. During the year under review average increase in the salaries of employees was in the range of 9%-10%.

Key Parameters for any variable component of remuneration availed by directors

Executive Directors are entitled for payment of bonus which is dependent upon the Company's overall performance and their individual performance rating. Additionally, non-executive independent directors are entitled for payment of commission which is determined based on the time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and contribution made by them from time to time on strategic matters.

It is hereby affirmed that the remuneration is as per the remuneration policy of the Company.

ANNEXURE VI

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 Health Limited (Formerly Merck 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 shall be in compliance with all applicable provisions of the Companies Act, 2013, particularly Section 178 read together with the applicable rules thereto and the SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015.

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 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; and
- 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:

The Policy is applicable to Directors and Key managerial personnel, viz, Chief Executive Officer, Managing Director, Company Secretary, Whole time Director and Chief Financial Officer.

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.
- iii **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 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 including 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 of the Key Management Personnel, 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.

ANNEXURE VII

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 Health 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 declaring 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** to support investments to accelerate growth.

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 VIII
SECRETARIAL AUDIT REPORT
FORM NO. MR-3

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,

PROCTER & GAMBLE HEALTH LIMITED

CIN: L99999MH1967PLC013726
Godrej One, 8th Floor, Pirojshanagar,
Eastern Express Highway, Vikhroli (East)
Mumbai City, Maharashtra 400079 IN

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **PROCTER & GAMBLE HEALTH LIMITED** (L99999MH1967PLC013726) (hereinafter called the 'Company'). 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.

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 1st January 2019 to 30th June, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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 30th June, 2020 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 there under to the extent of Foreign Direct Investment;
- (v) 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) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable during the audit period)
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable during the audit period)
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable during the audit period)
 - f) 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;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable during the audit period)
 - h) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable during the audit period)
 - i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- j) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.
- (vi) Other Laws specifically applicable to the Company namely;
 - a) Drugs and Cosmetics Act, 1940
 - b) Narcotic Drugs and Psychotropic Substances Act, 1985
 - c) Petroleum Act, 1934
 - d) Maharashtra Non-Biodegradable Garbage (Control) Act, 2006 and the rules framed there under

We have also examined compliance with respect to the Secretarial Standards in respect of Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

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

We further report that:

- The Board 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.
- All decisions were carried through unanimously as recorded in the minutes of the Meetings of the

Board of Directors or Committee of the Board, as the case may be.

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

We further report that during the financial year under review following events / actions having a major bearing on the Company's affairs, in pursuance of the above referred laws, rules, regulations, guidelines, and the Secretarial Standards have occurred:

- a) Pursuant to the approval received from the Registrar of Companies, Mumbai, Maharashtra the name of the company has been changed from Merck Limited to Procter & Gamble Health Limited effective May 6, 2019.
- b) Pursuant to the approval received from the Regional Director, Western Region, Ministry of Corporate Affairs, Mumbai vide its order dated December 18, 2019 read with corrigendum dated December 23, 2019 for change of Financial Year end from 1st January - 31st December to 1st July - 30th June, the current financial year shall be of 18 months starting from 1st January 2019 ending on 30th June 2020 and first financial year post change will begin from 1st July 2020.

Saraf and Associates

(Practising Company Secretaries)

Place : Mumbai

Date : 15.09.2020

FRN : S1988MH004801

UDIN : F001596B000717630

K. G. Saraf

Proprietor

FCS 1596 : CP 642

Note : This report is to be read with our letter of even date which is annexed as 'ANNEXURE 1' and forms an integral part of this report.

'ANNEXURE 1'

To,
The Members,

PROCTER & GAMBLE HEALTH LIMITED

CIN: L99999MH1967PLC013726

Godrej One, 8th Floor, Pirojshanagar,
Eastern Express Highway, Vikhroli (East)
Mumbai City, Maharashtra 400079 IN

Our report of even date is to be read along with this letter.

1. 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.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance 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 for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. 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.

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : 15.09.2020
FRN : S1988MH004801
UDIN : F001596B000717630

K. G. Saraf
Proprietor
FCS 1596 : CP 642

CORPORATE GOVERNANCE REPORT

Your Directors are pleased to present the Corporate Governance Report.

Corporate governance is a set of systems, principles and processes by which a company is governed. Governance process has to ensure that the Company operates 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 well-being of the assets of the Company.

Your Company operates 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* (PVPs). Our commitment to operate responsibly is reflected in the steps we have in place to ensure rigorous financial discipline and Corporate Governance.

The Board of Directors have the necessary experience 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 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

Composition of the Board

As on date of this report, the Board consists of six directors comprising of two Non-Executive Independent Directors (including one women Independent Director), two Non-Executive Directors and two Executive Directors. The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business. The positions of the Chairman of the Board and the Chief Executive Officer of the Company are held by separate individuals, where the Chairman of the Board is a Non-Executive Independent Director.

None of the Directors have inter-se relationship during the Financial Year.

The Independent Directors have provided declaration to the Company stating that they meet the criteria of independence as mentioned under Section 149 (6) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to a notification dated October 22, 2019 issued by the Ministry of Corporate Affairs, all the Independent directors have completed the registration with the Independent Directors Databank maintained by the Indian Institute of Corporate Affairs. Requisite disclosures have been received from the directors in this regard.

As on the date of this report, all Directors of the Company meet the criteria of maximum number

of directorship as laid down in section 165 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has obtained a certificate from M/s. Saraf & Associates, Practicing Company Secretary, dated September 15, 2020 (annexed to this Report), confirming that none of the Directors on the Board of the Company have been debarred or disqualified from holding the office of Director of Companies by the Securities and Exchange Board of India or the Ministry of Corporate Affairs or any such authority.

The details of composition of the Board and summary of other Directorship(s) and Committee Membership(s) of Directors as on date of this report are as follows:

Name of the Director	No. of Directorships *	No. of Committee memberships †	No. of Committee Chairmanships ‡
Mr. S.N. Talwar ^{1,2}	1	1	0
Mrs. Rani Ajit Jadhav ^{1,3}	1	1	Nil
Mr. Milind Thatte ⁴	Nil	Nil	Nil
Mr. Amit Gupta ⁵	Nil	Nil	Nil
Mr. Aalok Agrawal ^{6,7}	Nil	Nil	Nil
Mr. Sujay Wasan ⁷	Nil	Nil	Nil

1 Independent Director

2 Chairman of the Board, Audit Committee, Stakeholder Relationship Committee and Corporate Social Responsibility Committee, and Member of Nomination & Remuneration Committee and Risk Management Committee of the Company

3 Chairperson of the Nomination & Remuneration Committee and Member of the Audit Committee of the Company

4 Managing Director, Chairman of Risk Management Committee, Member of Audit Committee, Stakeholder Relationship Committee and Corporate Social Responsibility Committee of the Company

5 Executive Director (Finance) and Chief Financial Officer, Member of Stakeholder Relationship Committee, Risk Management Committee and Corporate Social Responsibility Committee of the Company

6 Member of Nomination & Remuneration Committee of the Company

7 Non - Executive Director

Notes:

* Excludes directorships held in private companies, foreign companies, Section 8 companies, Procter & Gamble Health Limited and companies where a Director is an alternate director;

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

The other listed companies in which Directors on the Board of your Company are also Directors are listed below:

Name of Director	Directorship in other listed companies
Mr. Suresh N. Talwar	Non-Executive Independent Director of: Elantas Beck India Limited
Mrs. Rani Ajit Jadhav	Non-Executive Independent Director of: Forbes & Company Limited
Mr. Milind Thatte	NIL
Mr. Amit Gupta	NIL
Mr. Sujay Wasan	NIL
Mr. Aalok Agrawal	NIL

Meetings and Attendance

The Board meets at least once in a quarter, *inter alia*, to review the quarterly financial result, performance of the Company, status of compliance of laws, review of business and functions, material transactions and other similar matters.

The gap between any two Board Meetings did not exceed one hundred and twenty days, as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The members of the Board have access to all the information of the Company. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the Company. The Company had made arrangement for facilitating participation of Directors by video-conference. As per their availability and convenience, the required arrangements were communicated and set up for them enabling them to participate in the proceedings of the meetings as per the Rules prescribed under the Companies Act, 2013 read with relevant Rules there under.

Six (6) meetings of the Board of Directors were held during the Financial Year January 1, 2019 to June 30, 2020. These meetings were held on February 27, 2019, May 10, 2019, August 8, 2019, November 7, 2019, February 7, 2020 and May 29, 2020.

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

Name of the Director	No. of Board meetings held during the tenure	No. of Board Meetings attended	Last Annual General Meeting (Whether attended)
Mr. Suresh N. Talwar [®]	6	6	Yes
Mrs. Rani Ajit Jadhav [#]	6	6	Yes
Mr. Milind Thatte [®]	6	6	Yes
Mr. Amit Gupta [®]	6	6	Yes
Mr. Hon Keong Choo [^]	2	1	Not Applicable
Mr. Aalok Agrawal [*]	4	4	Not Applicable
Mr. Sujay Wasan [§]	4	3	Not Applicable

[#] Mrs. Rani Ajit Jadhav attended the Board Meeting held on May 10, 2019, November 7, 2019 and May 29, 2020 via video - conferencing.

[^] Mr. Hon Keong Choo was appointed as Non-Executive Director effective January 23, 2019 and ceased to be Director of the Company effective May 10, 2019. Mr. Hon Keong Choo attended the Board Meeting held on February 27, 2019 via video-conferencing.

^{*} Mr. Aalok Agrawal was appointed as Non-Executive Director effective June 1, 2019. Mr. Aalok Agrawal attended the Board Meeting held on November 7, 2019, February 7, 2020 and May 29, 2020 via video - conferencing.

[§] Mr. Sujay Wasan was appointed as Non-Executive Director effective July 1, 2019. Mr. Sujay Wasan attended the Board Meeting held on November 7, 2019 and May 29, 2020 via video - conferencing.

[®] Mr. S. N. Talwar, Mr. Milind Thatte and Mr. Amit Gupta attended the Board Meeting held on May 29, 2020 via video - conferencing.

Equity shares of ₹ 10 each held by Non-Executive Directors of the Company as on June 30, 2020:

Mr. Suresh N. Talwar	:	5,914
Mrs. Rani Ajit Jadhav	:	Nil
Mr. Sujay Wasan	:	Nil
Mr. Aalok Agrawal	:	Nil

Separate meeting of Independent Directors

The Independent Directors of the Company met separately without the presence of Non-Independent Directors or management representatives on December 31, 2019 and September 2, 2020 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.

Key Board qualifications, expertise and skills

The following skills / expertise / competencies have been identified for the effective functioning of the Company and are currently available with the Board:

Finance & Accounting Expertise	Experience of financial management with appropriate professional qualifications (e.g. MBA in Finance, Chartered Accountants, Cost Accountants, Chartered Financial Analyst etc.)
Legal Expertise	Experience in the field of law, litigations or advisory with appropriate professional qualifications (e.g. Lawyers, Solicitors, Company Secretaries)
Strategy / Business Operation Expertise	Experience of leading the companies as CEO or part of Senior management or as Functional leader with strategic or business operations expertise Experience in digital, technology driven businesses
HealthCare Domain Expertise	Experience of Healthcare industry
Regulatory / Policy	Experience of regulatory advisory, policy formulation & implementation, public administrative experience

While all the Board members possess the requisite skills identified, their core areas of expertise are as follows:

Name of the Director	Area of Expertise
Mr. Suresh N. Talwar	Legal Regulatory & Policy
Mrs. Rani A. Jadhav	Regulatory & Policy
Mr. Milind Thatte	Strategy & Business Operation Healthcare Domain Finance & Accounting
Mr. Amit Gupta	Finance & Accounting Strategy & Business Operation Healthcare Domain
Mr. Aalok Agrawal	Strategy & Business Operation Healthcare Domain Finance & Accounting
Mr. Sujay Wasan	Strategy & Business Operation Healthcare Domain Finance & Accounting

BOARD COMMITTEES

Audit Committee

Composition, Name of Member and Chairperson

The Audit Committee comprises of three (3) Directors. The Committee is chaired by an Independent Director.

Mr. Suresh N. Talwar – Chairman

Mrs. Rani Ajit Jadhav – Member

Mr. Milind Thatte – Member

Meetings and Attendance during the year

During the Financial Year 2019-20, the Audit Committee held 6 (Six) meetings on February 27, 2019, May 10, 2019, August 8, 2019, November 7, 2019, February 7, 2020 and May 29, 2020.

Attendance of the members of the Committee is given below:

Members of the Committee	Designation	Category	No. of meetings held during tenure	No. of meetings attended
Mr. Suresh N. Talwar	Chairman	NED/ID	6	6 [@]
Mrs. Rani Ajit Jadhav	Member	NED/ID	6	6 [#]
Mr. Milind Thatte	Member	ED	6	6 [@]

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

[#] Mrs. Rani Ajit Jadhav attended the Audit Committee meetings held on May 10, 2019, November 7, 2019 and May 29, 2020 via video-conferencing.

[@] Mr. S. N. Talwar and Mr. Milind Thatte attended the Audit Committee meeting held on May 29, 2020 via video-conferencing.

The Company Secretary acts as the Secretary to the Audit Committee.

Brief description of terms of reference

The Committee functions according to the applicable provisions of the Companies Act, 2013 and other applicable statutes and the requirements under Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee powers and roles includes the following:

- i. Oversight of the Company financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

- ii. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii. Reviewing the quarterly and annual financial statements before submission to the Board for approval, focusing inter- alia on;
- iv. Any changes in accounting policies and practices and reasons for the change;
- v. Major accounting entries involving estimates based on exercise of judgment by Management;
- vi. Significant adjustments arising out of audit findings;
- vii. The going concern assumption;
- viii. Compliance with Accounting Standards; and
- ix. Analysis of the effects of alternative generally accepted accounting principles on the financial statements.
- x. Compliance with listing and other legal requirements concerning financial statements;
- xi. Approval of the related party transactions;
- xii. Review of annual Management Discussion and Analysis of financial condition and results of operations and the Directors' Responsibility Statement;
- xiii. Overseeing the Company's financial reporting process and the disclosure of its financial information, including earnings and press release, to ensure that the financial statements are correct, sufficient and credible;
- xiv. Disclosures made under the CEO and CFO certification to the Board;
- xv. Reviewing with the Management, Statutory Auditors and Internal Auditors, adequacy of internal control systems and recommending improvements to the Management;
- xvi. Recommending the appointment/removal of the Statutory Auditors, fixing audit fees, non-audit fees, evaluating Auditors performance, qualifications and independence;
- xvii. Reviewing the adequacy of internal audit function, coverage and frequency of internal audit, appointment, removal, performance and terms of remuneration of Internal Auditors;
- xviii. Discussing with the Internal Auditors and senior Management, significant internal audit findings and follow-up thereon;

- xix. Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud or irregularity or a failure of internal control system of a material nature and report the matter to the Board;
- xx. Discussing with the Statutory Auditors before the audit commences, the nature and scope of audit as well as conduct post- audit discussions to ascertain any area of concern;
- xxi. Reviewing the Company's financial and risk management policies; and
- xxii. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.

The minutes of the Audit Committee meetings are placed at the Board Meetings. In addition, the Chairman of the Audit Committee briefs the Board about the significant discussions at the Audit Committee Meetings.

The Committee relies on the expertise and knowledge of the management, the Internal Auditors and Statutory Auditors in carrying out its responsibilities. It also uses external expertise, wherever required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting. Management is also responsible for internal control over financial reporting and all procedures are designed to ensure compliance with Accounting Standards, applicable laws and regulations as well as for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal control.

Stakeholders Relationship Committee

Composition, Name of Member and Chairperson

The Stakeholders Relationship Committee comprises of three Directors. The Committee is chaired by a Non-Executive Independent Director.

Mr. Suresh N. Talwar – Chairman

Mr. Milind Thatte – Member

Mr. Amit Gupta – Member

Brief description of terms of reference

The Board has constituted the Stakeholder Relationship Committee, in terms of the provisions of Section 178(5) of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The terms of reference of this Committee are:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer / transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new / duplicate certificates, general meetings etc.;
- Review of measures taken for effective exercise of voting rights by shareholders;
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent; and
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company.

During the Financial Year under review, the Company received 14 complaints from Shareholders, which were resolved by the Company.

Meetings and Attendance

During the Financial Year under review, nine meetings of the Committee were held on January 17, 2019, March 15, 2019, April 4, 2019, May 10, 2019, July 9, 2019, August 8, 2019, September 23, 2019, November 7, 2019 and February 7, 2020. Attendance of the members of the Committee is given below:

Members of the Committee	Designation	Category	No. of meetings held during tenure	No. of meetings attended
Mr. Suresh N. Talwar	Chairman	NED/ID	9	4
Mr. Milind Thatte	Member	ED	9	9
Mr. Amit Gupta	Member	ED	9	9

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

Mr. Jeevan Mondkar, ceased to be Company Secretary effective March 17, 2020. Effective June 1, 2020, Ms. Preeti Bishnoi is Company Secretary and Compliance Officer to the Committee.

Nomination and Remuneration Committee

Composition, Name of Members and Chairperson

The Nomination & Remuneration Committee comprises of three Directors. The Committee is chaired by a Non-Executive Independent Director.

Mrs. Rani Ajit Jadhav – Chairperson

Mr. Suresh N. Talwar – Member

Mr. Aalok Agrawal – Member*

* Mr. Aalok Agrawal was inducted as Member of the Committee effective June 1, 2019.

Brief description of terms of reference

In terms of the provisions of Section 178 of the Companies Act, 2013, the Board constituted a Nomination and Remuneration Committee. Terms of reference of the Committee are:

- 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;
- Review the composition of the Board and devise a policy on Board diversity;
- 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;
- Formulate the criteria for evaluation of independent directors on the Board;
- Review and recommend to the Board the overall strategies in relation to executive and non – executive remuneration policies; and
- Evaluation of every director's performance.

The Committee has formulated the remuneration policy. The Company's remuneration policy provides a framework to provide more detailed clarification on the Guiding Principles so as to support their implementation; guidance as to design of reward programs; and explanation as to roles, responsibilities and governance for program design, administration and communication.

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 Obligations and Disclosure Requirements) Regulations, 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 <https://www.pghealthindia.com/investors/>. This Policy is also annexed to the Directors' Report as **Annexure VI**.

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.

Meetings and Attendance during the Financial Year

During the Financial Year under review, four meetings of the Committee were held on February 27, 2019, May 10, 2019, February 7, 2020 and May 29, 2020. Attendance of the members of the Committee is given below:

Members of the Committee	Designation	Category	No. of meetings held during tenure	No. of meetings attended
Mrs. Rani Ajit Jadhav	Chairman	NED/ID	4	4 [#]
Mr. Suresh N. Talwar	Member	NED/ID	4	4 [@]
Mr. Hon Keong Choo	Member	NED	2	1 [*]
Mr. Aalok Agrawal	Member	NED	2	2 ^s

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

Mrs. Rani Ajit Jadhav attended the Nomination & Remuneration Committee meeting held on May 10, 2019 and May 29, 2020 via video-conferencing.

@ Mr. S. N. Talwar attended the Nomination & Remuneration Committee meeting held on May 29, 2020 via video-conferencing.

* Mr. Hon Keong Choo attended the Nomination & Remuneration Committee meeting held on February 27, 2019 via video-conferencing. Mr. Choo ceased to be Director of the Company effective May 10, 2019 and consequently ceased to be member of the Committee effective on said date.

§ Mr. Aalok Agrawal was inducted as Member of the Committee effective June 1, 2019. Mr. Aalok Agrawal attended the Nomination & Remuneration Committee meetings held on February 7, 2020 and May 29, 2020 via video-conferencing.

Performance evaluation of Directors, Board and Committees

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. The Board was satisfied with the performance and functioning of the Board, its Committees and individual Board members.

Corporate Social Responsibility Committee

Composition, Name of Members and Chairperson

As on the date of this report, the Corporate Social Responsibility Committee comprises of three (3) Directors of whom one (1) is an Independent Director and two (2) are Executive Directors. The Committee is chaired by a Non-Executive Independent Director.

Mr. Suresh N. Talwar – Chairman

Mr. Milind Thatte – Member

Mr. Amit Gupta – Member

The broad terms of reference of CSR 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;
- Monitoring of implementation of business responsibility policies; and
- Annual assessment of the business responsibility performance and reporting.

Meetings and Attendance during the Financial Year

During the Financial Year under review, Four (4) meetings of the Committee were held on February 27, 2019, May 10, 2019, August 8, 2019, and February 7, 2020. Attendance of the members of the Committee is given below:

Members of the Committee	Designation	Category	No. of meetings held during tenure	No. of meetings attended
Mr. Suresh N. Talwar	Chairman	NED/ID	4	4
Mr. Milind Thatte	Member	ED	4	4
Mr. Amit Gupta	Member	ED	4	4

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

Risk Management Committee

Composition, Name of Members and Chairperson

Your Company constituted a Risk Management Committee to monitor and review the Risk Management Policy and plans of the Company.

The Committee comprises of three (3) Directors. The Committee is chaired by Executive Director.

Mr. Milind Thatte – Chairman

Mr. Suresh N. Talwar – Member

Mr. Amit Gupta – Member

Brief description of terms of reference

The broad terms of reference of Risk Management committee is as follows:

- The role of the Committee is as follows:
- To monitor and review the Risk Management policy and plans of the Company; and
- To monitor and review cyber security risk.

The Company has adopted a Risk Management Policy, which aims to create a standard, structured and efficient approach to identify, assess and mitigate risks.

Meetings and Attendance

During the Financial Year under review, One (1) meeting of the Committee was held on May 29, 2020.

Attendance of the members of the Committee is given below:

Members of the Committee	Designation	Category	No. of meetings held during tenure	No. of meetings attended [@]
Mr. Milind Thatte	Chairman	ED	1	1
Mr. Suresh N. Talwar	Member	NED/ID	1	1
Mr. Amit Gupta	Member	ED	1	1

NED – Non-Executive Director

ID – Independent Director

ED – Executive Director

[@] Mr. Milind Thatte, Mr. S. N. Talwar and Mr. Amit Gupta attended the Risk Management Committee meeting held on May 29, 2020 via video-conferencing.

CODE OF CONDUCT

The Board has laid down a Code of Conduct for all Directors and Senior Management and all its employees. The Code of Conduct of the Company is also posted on the website - <https://www.pghealthindia.com/investors/>. All Directors and Senior Management personnel have affirmed their compliance with the said Code. A declaration signed by the Managing Director to this effect is appended at the end of this Report.

CEO / CFO CERTIFICATE

A Certificate from the Managing Director and CFO & Executive Director - Finance on the integrity of the financial statements and other matters of the Company for the Financial Year ended June 30, 2020 was placed before the Board at its Meeting held on September 15, 2020.

REMUNERATION OF DIRECTORS

The details of remuneration to the Directors for the Financial Year 2019-20 are given below:

Name of Director	Salary including Bonus + PF contribution	Commission	Sitting Fees
Mr. Suresh N. Talwar	—	18.00	6.60
Mrs. Rani Jadhav	—	12.00	5.00

(₹ in Lakhs)

Name of Director	Salary including Bonus + PF contribution	Commission	Sitting Fees
Mr. Milind Thatte	258.09	—	—
Mr. Amit Gupta	212.95	—	—
Mr. Aalok Agrawal	—	—	—
Mr. Sujay Wasan	—	—	—

No remuneration was paid or payable to Mr. Hon Keong Choo, Mr. Sujay Wasan and Mr. Aalok Agrawal, Non-Executive Directors.

The remuneration to Non-Executive Independent Directors comprises of sitting fees and variable commission. The criteria for payment of remuneration is time spent by the Non-Executive Directors at the Audit Committee Meetings, Board Meetings, other Committee Meetings and contribution made by them from time to time on strategic matters.

REPORT ON SHAREHOLDERS' QUERIES / GRIEVANCES

A statement of the various investor complaints received and resolved by the Company during the Financial Year given below:

Sr. No.	Nature of Complaint	2019 - 2020	
		Received	Resolved
1.	Non-receipt of share certificates duly transferred/ complaints related to duplicate share certificates	6	6
2.	Non-receipt of dividend	5	5
3.	Updation of KYC details	3	2*

* One complaint regarding updation of PAN was received at the RTA's end on June 29, 2020 and it was resolved on July 2, 2020.

GENERAL MEETINGS AND POSTAL BALLOT

Annual General Meetings held during last three years:

For the year ended	Venue	Day and Date	Time
2016	Sunville Banquets, 3 rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai - 400 018	Wednesday, 31.05.2017	3:00 p.m.

For the year ended	Venue	Day and Date	Time
2017	Sunville Banquets, 3 rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai - 400 018	Friday, 01.06.2018	3:00 p.m.
2018	Sunville Banquets, 3 rd Floor, Royal Room, Dr. A.B. Road, Worli, Mumbai - 400 018	Friday, 31.05.2019	3:00 p.m.

All Resolutions moved at the previous Annual General Meeting were passed by the requisite majority of Members attending the meeting by ballots and other members by e-voting which was open for voting by all members prior to the date of the Annual General Meeting.

A Special Resolution had been passed in the Annual General Meeting held on May 31, 2019 for alteration of Articles of Association of the Company.

During the Financial Year under review, following resolutions have been passed through the exercise of postal ballot:

Item No.	Item	Date of declaration of results
A	Appointment of Mr. Amit Gupta as Executive Director (Finance) [ORDINARY RESOLUTION]	
B	To change the name of the Company from Merck Limited to Procter & Gamble Health Limited and consequential alteration of the Memorandum and Articles of Association of the Company [SPECIAL RESOLUTION]	February 20, 2019
C	Continuation of present tenure of directorship of Mr. Suresh Talwar, who is above 75 years of age, as a Non-Executive Independent Director [SPECIAL RESOLUTION]	April 2, 2019
D	Re-appointment of Mr. Suresh Talwar as an Independent Director [SPECIAL RESOLUTION]	March 17, 2020
E	Re-appointment of Ms. Rani Jadhav as an Independent Director [SPECIAL RESOLUTION]	

The Board had appointed Mr. K. G. Saraf, Practicing Company Secretary, as the scrutinizer to conduct the Postal Ballot process in a fair and transparent manner.

The details of the voting pattern were as hereinafter:

Item No.	Particulars	Valid Votes Cast (No. of shares)	% of Valid Votes
A	Assented to the Resolution	99,68,254	99.99
	Dissented to the Resolution	477	0.01
B	Assented to the Resolution	99,68,138	100.00
	Dissented to the Resolution	683	0.00
C	Assented to the Resolution	92,37,866	99.63
	Dissented to the Resolution	34,521	0.37
D	Assented to the Resolution	95,49,866	99.63
	Dissented to the Resolution	35,298	0.37
E	Assented to the Resolution	10,198,537	99.68
	Dissented to the Resolution	32,559	0.32

Accordingly, the said Resolutions were approved by the Members of the Company, with requisite majority.

None of the items to be transacted at the ensuing Annual General Meeting is required to be passed by postal ballot.

Procedure for Postal Ballot:

In compliance with Sections 108, 110 and other applicable provisions of the Companies Act, 2013 read with the Rules issued thereunder, the Company provided electronic voting (e-voting) facility to all its Shareholders. The Company engaged the services of National Securities Depository Limited (“NSDL”) for the purpose of providing e-voting facility to all its members. The Shareholders had an option to vote either by postal ballot or through e-voting. The Company dispatched the postal ballot notices and forms along with postage prepaid business reply envelopes to its Shareholders whose names appeared on the Register of Members/list of beneficiaries as on cut-off date. The postal ballot notice was sent to Shareholders in electronic form to the email addresses registered with the depository participants/Company’s Registrar & Share Transfer Agents. The Company also published a notice in the newspapers declaring the details of completion of dispatch and other requirements under the Secretarial Standards issued by the Institute of Company Secretaries of India, the Companies Act, 2013 and the Rules issued thereunder. Voting rights were reckoned on the paid up value of shares of the Company registered in the names of the Shareholders as on the cut-off date. Shareholders

desiring to vote through postal ballot were requested to return the forms, duly completed and signed so as to reach the Scrutinizer before the close of the voting period. Members desiring to exercise their votes by electronic mode were requested to vote before the close of business hours on the last date of e-voting. The Scrutinizer submitted his report to the Chairman, after the completion of scrutiny and the consolidated results of the voting by postal ballot were then announced by the Company. The results are displayed on the website of the Company at pghealthindia.com, besides being communicated to the Stock Exchanges. No special resolution is proposed to be conducted through Postal Ballot as on the date of this Report.

RELATED PARTY TRANSACTIONS

All the transactions with related parties were on arm's length basis and were in the ordinary course of business. In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company obtained an approval of the Audit Committee for entering into transaction with related parties. The Board has approved a policy for related party transactions which has been uploaded on the website –<https://www.pghealthindia.com/investors/>.

Prior omnibus approval of the Audit Committee is obtained for related party transactions which are of repetitive nature. All related party transactions are placed before the Audit Committee for 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.

OTHER DISCLOSURES

Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the stock exchanges or the Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years 2017, 2018 and 2019-20 respectively: NIL

The Company does not have any subsidiary company.

FAMILIARIZATION PROGRAMME

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.

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:

- Conduct an induction session for the new Independent Director;
- Issue a formal letter of appointment at the time of appointment; and
- 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 <https://www.pghealthindia.com/investors/>.

VIGIL MECHANISM

In terms of the provisions of section 177 (9) of the Companies Act, 2013, the Company has implemented a vigil mechanism. All employees of the Company have access to the Chairman of the Audit Committee. The vigil mechanism is available on the website - <https://www.pghealthindia.com/investors/>.

No employee has been denied access to the Chairman of the Audit Committee. The Audit committee is regularly informed about the whistleblower complaints received, investigation carried out, its outcome and action taken report.

MEANS OF COMMUNICATION

All important information relating to the Company's financial performance, shareholding pattern, financial results are regularly posted on the Company's website. The quarterly, half yearly and annual financial results of the Company are published in Newspapers generally viz. Business Standard, Free Press Journal & Navshakti. These results are also available on the websites of the Company, BSE Limited and National Stock Exchange of India Ltd. Further, all material information which has some bearing on the

operations of the Company was regularly submitted to stock exchanges. During the Financial Year under review, the Company has not made any separate presentation to financial analysts.

COMPLIANCES

The Company has complied with all the 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. The Company has complied with and adopted the mandatory requirements of the Corporate Governance Code. The Company has not set up a separate office for the Chairman or Independent Directors, however, they do have access to the Company information whenever required. The Company has complied with the requirement of corporate governance report.

FINANCIAL INFORMATION TO THE MEMBERS

The previous year's audited results were announced by the Company within 60 days of closure of the Financial Year. The quarterly results during the Financial Year were announced well within 45 days of close of the quarter. The results were published in leading newspapers. The financial results, press releases and other major events/developments concerning the Company are also posted on the website - <https://www.pghealthindia.com/investors/>

DISCRETIONARY REQUIREMENTS

The Company has been following the regime of unmodified audit report. The Company has not adopted the other discretionary requirements as stated in SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

DISCLOSURES REGARDING APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

i. Mr. Amit Gupta

Mr. Amit Gupta has completed his Bachelor of Commerce (Hons) from Delhi University and is a Chartered Accountant. He is a Finance professional with 17 years of experience in developing and leading teams of professionals in Commercial, Tech Operations and Supply Chain controlling, M&A, Taxation, Business Development and Audit with leading US, European and Indian multi-national companies. He has worked with cross functional and multicultural teams in US,

Asia and Europe. Mr. Amit Gupta, Director retires by rotation and being eligible, offers himself for re-appointment at the ensuing 53rd Annual General Meeting.

ii. Mr. Aalok Agrawal

Mr. Aalok Agrawal has completed his Bachelor of Science (Physics) from St. Xavier's College, Mumbai and MBA from Indian Institute of Management, Ahmedabad. He has been with P&G for over 22 years with leadership experience on consumer healthcare & FMCG businesses and deep mastery in diverse OTC value creation business models. He has worked in diverse cultural contexts across Europe, North America & Asia/ India and has deep knowledge of go-to-market & commercial environments, competitive environments & healthcare regulation. Currently, he is Senior Vice President, P&G Health – Asia, Pacific, Middle East and Africa. It is proposed to appoint Mr. Aalok Agrawal as a Non-Executive Director of the Company, liable to retire by rotation, at the ensuing 53rd Annual General Meeting.

iii. Mr. Sujay Wasan

Mr. Sujay Wasan holds an International Masters in Business Administration degree (MBA) from The Netherlands. Mr. Sujay Wasan has lived and worked across Western Europe, North America and Asia with rich brand building experience across multiple core categories in critical global, regional and country roles. Mr. Sujay Wasan has spent the last 16 years with P&G with assignments spanning global marketing and strategy for multi-billion dollar brands, designing breakthrough innovation, category marketing, and country operations with focus on purpose led marketing programs, digital and store-back marketing. Currently, he is Senior Vice President, P&G Personal Health Care International. It is proposed to appoint Mr. Sujay Wasan as a Non-Executive Director of the Company, liable to retire by rotation, at the ensuing 53rd Annual General Meeting.

GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Pursuant to the Circular nos. 14/2020, 17/2020 and 20/2020 passed by Ministry of Corporate Affairs and by circular no. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 passed by the Securities Exchange Board of India, the Fifty-Third Annual General Meeting will be held on **Thursday, November 26, 2020 at 3:30 p.m.**

through Videoconferencing facility, in view of the massive outbreak of the COVID-19 pandemic and social distancing being a norm to be followed.

Company's Financial Year end

The Company was following its Financial Year as 1st January to 31st December in line with its erstwhile holding company's financial year and in accordance with the order of the Company Law Board, Mumbai bench dated May 14, 2015.

The Procter & Gamble Company, USA globally acquired the consumer health business from Merck KGaA, Germany on December 1, 2018. As a part of the said transaction, the company's ultimate holding company has changed from Merck KGaA, Germany to The Procter & Gamble Company, USA on December 3, 2018. Hence, the company is now a Procter & Gamble group company.

The present ultimate holding Company, viz., The Procter & Gamble Company, USA, follows its Financial Year as 1st July to 30th June. Hence, it was proposed to align the financial year of the Company with the holding Company and accordingly changing it to 1st July to 30th June.

The Company has received approval of the Regional Director, Western Region, Ministry of Corporate Affairs, Mumbai for change of Financial Year end from 1st January to 31st December to 1st July to 30th June. The Financial year of the Company for the reporting period is for a period of eighteen months, starting from 1st January, 2019 to 30th June, 2020. Subsequent financial years will begin from 1st July and end on 30th June.

Book Closure

The Company's Register of Members and Share Transfer Books will remain closed from Friday, November 20, 2020 to Thursday, November 26, 2020 (both days inclusive) for the purposes of payment of dividend for the Financial Year ended June 30, 2020, if approved by members at the above mentioned AGM.

Dividend

The Board of Directors has recommended a dividend at the rate of ₹ 230 per equity share, which includes a one-time special dividend of ₹ 188 per equity share for the Financial Year ended June 30, 2020. This is subject to the approval of the Members at the ensuing Annual General Meeting. The dividend,

if approved by the Members at the ensuing Annual General Meeting, will be paid/credited on or before December 22, 2020.

Listing on Stock Exchanges

BSE Limited (BSE)–Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Limited (NSE)–Exchange Plaza, Plot C/1, G Block-Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

The Stock Codes for the Company's equity shares are as follows:

NSE: PGHL

BSE : 500126

The ISIN number for the Company's equity shares in Demat mode – INE199A01012.

Payment of Listing Fees

The Annual Listing Fees have been paid by the Company to BSE and NSE.

Stock Price Data

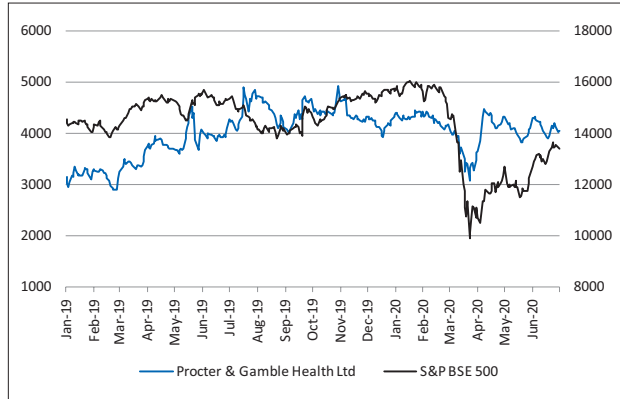
Month	BSE		NSE	
	High	Low	High	Low
January – 2019	3408.00	2955.00	3,399.90	2,955.25
February - 2019	3381.00	2866.25	3,400.00	2,860.55
March - 2019	3700.00	3188.80	3,700.00	3,170.00
April – 2019	3990.00	3651.50	3,994.00	3,660.00
May – 2019	4650.00	3577.85	5,050.00	3,575.55
June - 2019	4139.90	3832.00	4,139.95	3,811.00
July – 2019	5120.80	4006.00	5,120.00	4,010.00
August – 2019	4899.00	4000.00	4,875.45	4,010.00
September – 2019	4850.00	4010.00	4,861.25	4,006.50
October – 2019	4988.00	4307.00	4,988.65	4,200.00
November – 2019	4848.00	4206.00	4,850.00	4,200.00
December – 2019	4450.00	3784.10	4,500.00	3,783.00
January – 2020	4489.25	4190.00	4,492.15	4,190.00
February – 2020	4490.00	4035.00	4,495.00	3,466.15
March – 2020	4411.60	2927.80	4,220.00	2,891.45
April – 2020	4725.95	3540.00	4,744.45	3,533.50
May – 2020	4304.00	3750.00	4,290.00	3,810.25
June – 2020	4497.90	3901.25	4,410.00	3,900.05

(Source: www.bseindia.com & www.nseindia.com)

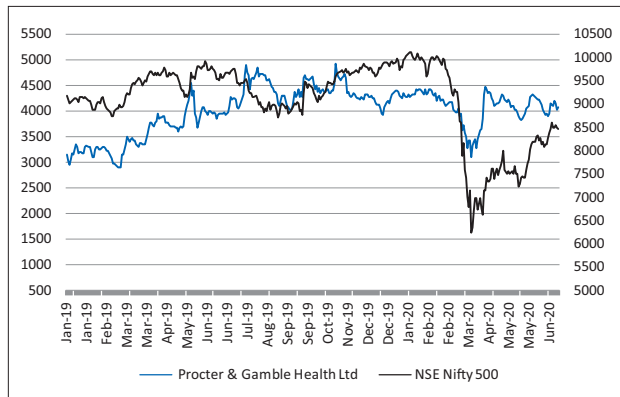
Note: High and low are in Rupees (₹) per traded share

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 2019-20:



The following chart shows the performance of the Company's shares as compared to the NSE Nifty during the Financial Year 2019-20.



Distribution of shareholding by ownership as on June 30, 2020

Category	Number of shares held	% of shares Held
Foreign promoters	86,01,071	51.82
Resident Individuals and others	45,62,148	27.49
Mutual Funds	7,80,073	4.70
Financial Institutions / Banks	6,197	0.04
Insurance Companies	10,21,284	6.15
Foreign Portfolio Investors	7,90,703	4.76
Bodies Corporate	4,46,210	2.69
Non-Resident Indians	2,77,314	1.67
Others	1,14,382	0.68
TOTAL	1,65,99,382	100.00

Distribution of shareholding by size class as on June 30, 2020

Share holding (No. of shares)	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 500	49577	97.54	2380935	14.34
501 – 1000	648	1.28	474093	2.86
1001 – 2000	304	0.60	433950	2.61
2001 – 3000	80	0.16	201267	1.21
3001 – 4000	44	0.09	157290	0.95
4001 – 5000	30	0.06	140525	0.85
5001 – 10000	72	0.14	501502	3.02
10001 and above	70	0.14	12309820	74.16
TOTAL	50825	100.00	16599382	100.00

Name and Address of the Registrar and Share Transfer Agents

KFin Technologies Private Limited

Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana – 500 032, India

Phone: +91 40 6716 2222

Email: einward.ris@kfintech.com

Website - www.karvyfintech.com

Share Transfer System

As per SEBI directions, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form effective April 01, 2019. The transfer deed(s) which had been lodged prior to deadline, i.e., April 1, 2019, and returned due to deficiency in the document may be re-lodged for transfer with KFin Technologies Private Limited (Registrar & Transfer Agents), on or before March 31, 2021, which is the cut-off date for re-lodgement of transfer deeds. The shares that are re-lodged for transfer shall be issued only in demat mode.

Transfer of shares is effected and share certificates are dispatched within a period of 15 days from the date of receipt of relevant documents, provided they are complete in all respects.

Total number of shares transferred during the last two calendar years respectively was as follows:

Particulars	2019-20	2018
Number of transfers	48	23
Number of shares processed	4014	2473

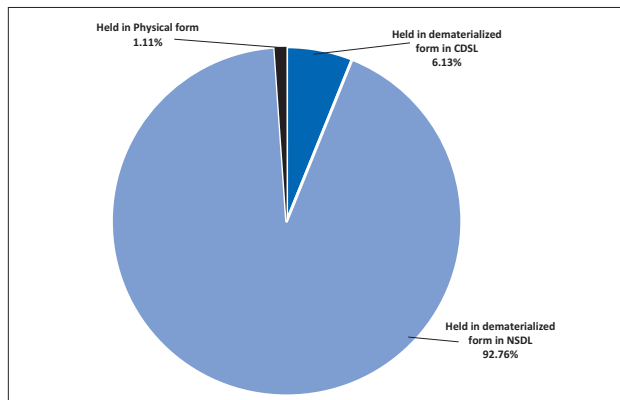
As on June 30, 2020, no request for transfer of shares was pending.

Dematerialization of shares

The Company has entered into Agreements with NSDL and CDSL for dematerialization of shares. As on June 30, 2020, the number of shares in dematerialized and physical mode are as under:

Particulars	No. of shares	% to total capital issued
Held in dematerialized form in NSDL	1,53,97,860	92.76
Held in dematerialized form in CDSL	10,18,198	6.13
Held in Physical form	1,83,324	1.11
Total	1,65,99,382	100.00

Shares held in demat / physical form as on June 30, 2020



Unclaimed / unpaid Dividends

In accordance with the provisions of Sections 124 and 125 of Companies Act, 2013 and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF Rules) dividends not encashed / claimed within seven years from the date of declaration are to be transferred to the Investor Education and Protection Fund (IEPF) Authority. The IEPF Rules mandate companies to transfer shares of Members whose dividends remain unpaid / unclaimed for a continuous period of seven years to the demat account of IEPF Authority. The Members whose dividend / shares are transferred to the IEPF Authority can claim their shares / dividend from the Authority.

Final dividend for the Financial Year ended December 31, 2013 and for the subsequent years, which remain unpaid or unclaimed, will be due for transfer to the IEPF 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. KFin Technologies Private Limited.

Date of Declaration	For the Financial year	Due for transfer to IEPF
18.03.2014	2013	23.04.2021
08.04.2015	2014	14.05.2022
10.06.2016	2015	16.07.2023
04.05.2017	2016	09.06.2024
01.06.2018	2017	07.07.2025
31.05.2019	2018	06.07.2026

Unclaimed dividend amount for the Financial Year ended December 31, 2012 amounting to ₹ 276,273 was transferred to the IEPF. The Company is in process of transferring relevant shares to the IEPF pertaining to the same.

The details of unpaid / unclaimed dividend have been hosted on the website of the Company, viz., in.pg.com.

Voting through electronic means

Pursuant to Section 108 of the Companies Act, 2013 and the rules made thereunder, every listed company is required to provide its members facility to exercise their right to vote at general meetings by electronic means.

For the forthcoming Annual General Meeting, the Company will offer the same facility to the members for exercising their voting rights via e-voting process. Dholakia & Associates, Practicing Company Secretary will be scrutinizer for the e-voting process. Detailed procedure is given in the Notice of the AGM and also placed on the website of the Company. Shareholders may get in touch with the Company Secretary for further assistance.

Prohibition of Insider Trading Regulations

The Company has implemented the Code for Prohibition of Insider Trading and Code for Fair Disclosure. The same has been circulated among all employees. Employees are regularly reminded about their obligation under the policy and also informed about prevention of insider trading into the securities of the Company. Ms. Preeti Bishnoi,

Company Secretary is the Compliance Officer under the said Code.

Outstanding GDRs./ADRs./Warrants or any convertible instruments

The Company has neither issued nor there are any outstanding GDRs./ADRs./Warrants or any convertible instruments during the period January 2019 – June 2020.

Commodity price risk or foreign exchange risk and hedging activities

The Company has no exposure to commodity and commodity risks in Financial Year 2019-20. The details of foreign currency risk management are disclosed in Note 33 forming part of the Financial Statements. The company has not entered into any hedging activities in Financial Year 2019-20.

TDS COMMUNICATION TO SHAREHOLDERS

Shareholders may note that, in accordance with the provisions of the Income Tax Act, 1961 (“the Act”) as amended by and read with the provisions of the Indian Finance Act, 2020, dividend declared and paid by the Company after April 1, 2020, is taxable in the hands of shareholders and the Company is required to deduct the tax at source (“TDS”) on the distribution of dividend income to its shareholders at the applicable rates. In order to enable us to determine the appropriate TDS rate as applicable, shareholders are requested to submit the requisite documents as mentioned in our letter dated September 30, 2020 which is put up on the website at <https://www.pghealthindia.com/investors/>, in order facilitate company to deduct TDS at time of final dividend. The said documents (duly completed and signed) are required to be emailed to Company’s RTA on or before **November 15, 2020** in order to enable the Company to determine and deduct appropriate TDS.

UPDATION OF EMAIL ID AND BANK DETAILS

This Annual Report alongwith Notice calling the Annual General Meeting, for the Financial Year 2019-2020, in electronic form, is being sent to the Members at the email address updated by the Members with the Depository Participants or Registrar & Transfer Agents, as applicable.

Shareholders holding shares in dematerialized mode are requested to register their email address, bank account details and mobile number with their depository participants. Those holding shares in

physical mode have been requested to furnish their email address, bank account details and mobile number with the Company’s Registrar & Transfer Agent (RTA) at einward.ris@kfintech.com.

The Company, with the help of the RTA and the depositories has reached out to the shareholders who have not registered their email addresses, requesting them to update their email addresses. Your Company greatly appreciates your response and assistance in this regard.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 (‘Act’) and Rules made thereunder, your Company has constituted Internal Complaints Committee (‘ICC’).

The Company has in place an effective mechanism for dealing with complaints relating to sexual harassment at workplace. The details relating to the number of complaints received and disposed of during the Financial Year 2019-2020 are as under:

Number of complaints filed during the Financial Year: 2

Number of complaints disposed of during the Financial Year: 2

Number of complaints pending as at end of the Financial Year: NIL

Plant Location

No. 11/1 Usgaon, Ponda, Goa 403 407
Phone: 0832-6614101

Investor Relations Department

Shareholders can send their correspondence to the Company with respect to their shares, dividend, request for annual reports and shareholder grievances, at the contact details given below:

Registered Office Address:

Godrej One, 8th Floor, Pirojshanagar
Eastern Express Highway,
Vikhroli East, Mumbai 400 079

Contact Details

Company Secretary and Compliance Officer
Tel. No. : 022-6866 9000 / 022-6866 9022
Investor Helpline No. +91 8291902520
Fax : 022-2518 6828
Email ID: investorgrievance.im@pg.com

DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

As provided under Regulation 26(3) of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended June 30, 2020.

For **Procter & Gamble Health Limited**

Mumbai
September 15, 2020

Sd/-
Milind Thatte
Managing Director

CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE

[Pursuant to Regulation 34(3) read with paragraph E of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members

PROCTER & GAMBLE HEALTH LIMITED

CIN: L99999MH1967PLC013726
Godrej One, 8th Floor, Pirojshanagar,
Eastern Express Highway, Vikhroli (East),
Mumbai City Maharashtra 400079 IN.

I have examined the compliance of the conditions of Corporate Governance by **PROCTER & GAMBLE HEALTH LIMITED** (CIN - L99999MH1967PLC013726) ("the Company") as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraph C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") for the year ended on June 30, 2020.

The compliance with the terms and conditions contained in the Corporate Governance is the responsibility of the management of the Company including the preparation and maintenance of all relevant supporting records and documents. Our examination was limited to the review of procedures and implementation thereof, as adopted by the Company for ensuring compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, and the representations made by the management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on June 30, 2020.

I 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.

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : 15.09.2020
FRN : S1988MH004801
UDIN : F001596B000717663

K. G. Saraf
Proprietor
FCS 1596 : CP 642

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,

PROCTER & GAMBLE HEALTH LIMITED

CIN: L99999MH1967PLC013726
Godrej One, 8th Floor, Pirojshanagar,
Eastern Express Highway, Vikhroli (East),
Mumbai City Maharashtra 400079 IN.

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **PROCTER & GAMBLE HEALTH LIMITED** having CIN : L99999MH1967PLC013726 and having registered office at Godrej One, 8th Floor, Pirojshanagar, Eastern Express Highway, Vikhroli (East) Mumbai Maharashtra 400079 IN (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ended on 30th June, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN	Date of appointment in Company*
1	Mr. Suresh Narsappa Talwar	00001456	17/01/1984
2	Mrs. Rani Jadhav Ajit	07070938	05/02/2015
3	Mr. Milind Vasant Thatte	08092990	01/04/2018
4	Mr. Amit Gupta	08295179	06/12/2018
5	Mr. Aalok Agrawal	08468145	01/06/2019
6	Mr. Sujay Wasan	08497942	01/07/2019

* the date of appointment is as per the MCA Portal.

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Saraf and Associates
(Practising Company Secretaries)

Place : Mumbai
Date : 15.09.2020
FRN : S1988MH004801
UDIN : F001596B000717641

K. G. Saraf
Proprietor
FCS 1596 : CP 642

INDEPENDENT AUDITOR REPORT

To the Members of Procter & Gamble Health Limited (formerly known as Merck Limited)

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Procter & Gamble Health Limited (“the Company”), which comprise the Balance Sheet as at June 30, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the period then ended, and notes to the Ind AS financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “Ind AS financial statements”).

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 Companies Act, 2013 (“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 Indian Accounting Standards (“Ind AS”) prescribed under section 133 of the Act, of the state of affairs of the Company as at June 30, 2020, its profit (including other comprehensive income), changes in equity and its cash flows for the period ended on that date.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (“ICAI”) together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Ind AS financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements of the current year. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key audit matter(s)	How our audit addressed the key audit matter
1.	<p>System Migration from erstwhile SAP used in Merck Group to SAP used in Procter & Gamble Group</p> <p>The Company used SAP of Merck Group which was migrated to SAP of Procter and Gamble Group on April 01, 2020.</p> <p>Migration is a major upgrade to the existing core enterprise application system resulting into a significant change to the financial accounting configuration which is the core for financial reporting including preparation of financial statements.</p> <p>Risks identified as emanating from the aforesaid change were</p> <p>(i) Business Requirements are not captured resulting in Inappropriate implementation of Functionality & Controls in the newly implemented system.</p>	<p>Our audit procedures include the following substantive procedures:</p> <ul style="list-style-type: none"> Obtained understanding of the management’s process of migrating of the data documented in project plan for program development policies and procedures. Assessed the professional competence, objectivity and capabilities of the external Management Specialist used by the management for testing the data migration. Involved our IT specialists to assess the appropriateness of data migration plan and work performed by the external Management Specialist. Obtained the Report of Data Migration submitted by the external Management Specialist specifying the detailed tests performed by them in relation to data migration testing including but not limiting to the following:

Sr. No.	Key audit matter(s)	How our audit addressed the key audit matter
	<p>(ii) Inappropriate changes made to the application systems or programs that contain relevant automated controls (i.e., configurable settings, automated algorithms, automated calculations, and automated data extraction) and / or report logic.</p> <p>(iii) Systems not adequately configured or updated to restrict system access to authorized users.</p> <p>(iv) Transaction records and/or master data are not completely and accurately migrated</p>	<ul style="list-style-type: none"> ➤ Verification of a formal data migration program in place ➤ User Acceptance Testing (“UAT”) sign-off for all modules to ensure that the implemented system was configured in line with business requirements ➤ Data downloaded from the Target system and compared with the original files from Legacy system for the completeness and Accuracy of All Master Data (including GL, Customer, Vendor, Inventory, Price, Taxes etc.), Trial Balance, Inventory Line Items, etc. <ul style="list-style-type: none"> • Relied upon the report of the Management Specialist to confirm the completeness and accuracy of the data migrated.
2.	<p>Evaluation of uncertain tax and other legal matters positions (Refer Note 39 to the Ind AS financial statements)</p> <p>The Company operates in multiple jurisdictions and is subject to periodic challenges by local tax authorities and National Pharmaceutical Pricing Authorities on a range of taxation and pricing matters, respectively, during the normal course of business including but not limiting to direct tax, transfer pricing, indirect tax and product pricing matters. These involve significant management judgment to determine the possible outcome of the uncertain tax and other legal matters positions, consequently having an impact on related accounting and disclosures in the Ind AS financial statements. Hence, this has been considered as a key audit matter.</p>	<p>Our audit procedures include the following substantive procedures:</p> <ul style="list-style-type: none"> • Obtained detailed list of matters under dispute and other uncertain tax and other legal matters positions as at June 30, 2020; • Read and evaluated select key correspondences, external legal opinions / consultations by the management; • Discussed with appropriate senior management and evaluated management’s underlying key assumptions in estimating the tax provisions; and • Assessed the management’s estimate of the possible outcome of the disputed cases.

Other Information

The Company’s Board of Directors is responsible for the other information. The other information comprises the information included in the Directors Report, Management Discussion and Analysis, Report on Corporate Governance and Shareholder’s Information, but does not include the Ind AS financial statements and our auditor’s report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Ind AS Financial Statements

The Company’s Board of Directors is responsible for the matters stated in section 134(5) of 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 Ind AS prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Ind AS financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform

audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 of India in terms of section 143(11) of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (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), the Statement of Changes in Equity and the Statement of Cash Flows 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 Ind AS prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - e. On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2020

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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 2";
- g. With respect to the other matter to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/ provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act;

- h. 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 39 on Contingent Liabilities to the Ind AS financial statements;
 - (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 17 to the Ind AS financial statements;
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Hemant J. Bhatt

Partner

Membership No.036834

Place: Mumbai

UDIN: 20036834AAAAEV1050

Date: September 15, 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section in the Independent Auditor's Report of even date to the members of Procter & Gamble Health Limited on the Ind AS financial statements for the period ended June 30, 2020]

Based on the audit procedures performed for the purpose of reporting a true and fair view on the Ind AS financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) During the year, the fixed assets of the Company have been physically verified by the management and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of immovable properties, other than self-constructed properties, recorded as Property, Plant & Equipment in the books of account of the Company are held in the name of the Company.
- (ii) The inventory, except goods-in-transit and stocks lying with third parties, have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. For stocks lying with third parties at the period end, written confirmations have been obtained by the management. No material discrepancies were noticed on physical verification carried out during the period.
- (iii) 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. Accordingly, clause 3(iii) of the Order is not applicable to the Company.
- (iv) The Company has complied with the provisions of sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

- (v) In our opinion, the Company has not accepted any deposits from the public within the provisions of sections 73 to 76 of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Act and rules thereunder. We have broadly reviewed such records and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and services tax (GST), customs duty, cess and any other material statutory dues applicable to it.
No undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, GST, customs duty, cess and any other material statutory dues applicable to it, were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (b) The dues outstanding with respect to income tax, sales tax, service tax, value added tax, GST, customs duty, excise duty on account of any dispute, as listed in Appendix 1 have not been deposited by the Company.
- (viii) During the year, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, government or dues to debenture holders.
- (ix) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) or term loans during the period. Accordingly, clause 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the

information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.

- (xi) Managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, clause 3(xii) of the Order is not applicable to the Company.
- (xiii) All transactions entered into by the Company with the related parties are in compliance with sections 177 and 188 of Act, where applicable, and the details have been disclosed in the Ind AS financial statements as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or

fully or partly convertible debentures during the year. Therefore, clause 3(xiv) of the Order is not applicable to the Company.

- (xv) The Company has not entered into any non-cash transactions with directors or persons connected with them during the period and hence provisions of section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Hemant J. Bhatt

Partner

Membership No.036834

Place: Mumbai UDIN: 20036834AAAAEV1050

Date: September 15, 2020

Appendix 1 as referred to in paragraph vii (b) of the Annexure 1 to the Independent Auditor's Report

Name of the Statute	Nature of the dues	Amount (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and Penalty	923.23	2002-03, 2005-06, 2008-09, 2012-13, 2013-14	Income Tax Appellate Tribunal
		150.05	1998-99, 2003-04	AO to pass order giving effect of ITAT
		6,752.90	2007-08, 2008-09, 2011-12, 2015-16, 2016-17, 2017-18	CIT (A)
		12.34	1986-87	High Court
Central Excise Act, 1944	Tax and Penalty	2,241.08	2009-14, 2014-15	Customs Excise and Service Tax Appellate Tribunal (CESTAT)
Local State Sales Tax Act and Central Sales Tax Act 1956	Duty and Penalty	595.19	2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15	Additional commissioner (Commercial Tax)
		27.39	2014-15	Additional Commissioner (Appeal) Commercial Tax
		2,107.11	2012-13, 2013-14, 2014-15	Joint Commissioner of Sales Tax (Appeal)
		6.01	2011-12	Deputy Commissioner (Commercial Tax)
		17.5	2008-09, 2009-10	Senior Joint Commissioner (Commercial Tax)
		219.80	2014-15	Special Commissioner, Sales Tax
98.96	2015-16	Joint Commissioner		

In respect of the above, Income tax and Sales Tax dues ₹ 1,983.88 Lakhs and ₹ 260.44 Lakhs have been paid under protest.

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Procter & Gamble Health Limited on the Ind AS financial statements for the period ended June 30, 2020]

Para 1 - Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Procter & Gamble Health Limited ("the Company") as of June 30, 2020 in conjunction with our audit of the Ind AS financial statements of the Company for the period ended on that date.

Para 2 - 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 with reference to financial statements 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 Act.

Para 3 - Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified 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 with reference to financial statements 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 with reference to financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, 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 with reference to financial statements.

Para 4 - Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to financial statements 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 with reference to financial statements 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 expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Para 5 - Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Para 6- Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls

with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at June 30, 2020, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

For **Haribhakti & Co. LLP**

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Hemant J. Bhatt

Partner

Membership No.036834

Place: Mumbai

UDIN: 20036834AAAAEV1050

Date: September 15, 2020

BALANCE SHEET AS AT JUNE 30, 2020

	Notes	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Assets			
Non-current assets			
Property, plant and equipment	4	9 771	9 933
Capital work-in-progress	4	2 145	1 735
Investment property	5	330	382
Intangible assets	6	21	43
Financial assets			
(i) Loans	7	7	6
(ii) Other financial assets	8	776	390
Deferred tax assets (Net)	9	1 515	1 803
Other non-current assets	10	401	358
Non-current tax assets (Net)	11	6 989	7 866
Total non-current assets		21 955	22 516
Current assets			
Inventories	12	13 411	11 335
Financial assets			
(i) Trade receivables	13	9 527	6 617
(ii) Cash and cash equivalents	14	63 569	1 11 909
(iii) Bank balances other than (ii) above	14.1	340	12 433
(iv) Loans	7	9	6
(v) Other financial assets	8	401	2 536
Other current assets	10	8 362	8 594
Total current assets		95 619	1 53 430
Total assets		1 17 574	1 75 946
Equity and Liabilities			
Equity			
Equity share capital	15	1 660	1 660
Other equity	16	88 974	1 52 351
Total equity		90 634	1 54 011
Liabilities			
Non-current liabilities			
Provisions	17	4 085	2 369
Other non-current liabilities	18	121	285
Total non-current liabilities		4 206	2 654
Current liabilities			
Financial liabilities			
(a) Trade payables			
(i) total outstanding dues of micro enterprises and small enterprises	19	699	229
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	19	11 697	8 913
(b) Other financial liabilities	20	8 563	7 390
Other current liabilities	18	888	412
Provisions	17	436	328
Current tax liabilities (Net)	21	451	2 009
Total current liabilities		22 734	19 281
Total liabilities		26 940	21 935
Total Equity and Liabilities		1 17 574	1 75 946
Significant accounting policies	2		

See accompanying notes form an integral part of these Financial Statements.

As per our attached report of even date.

For and on behalf of Board of Directors

For **HARIBHAKTI & Co. LLP**
Chartered Accountants
Firm Regn. No.: 103523W/W100048

S.N Talwar
Chairman
DIN No.00001456

Milind Thatte
Managing Director
DIN No. 08092990

Hemant J. Bhatt
Partner
M. No.: 036834

Amit Gupta
Chief financial officer
DIN No. 08295179

Preeti Bishnoi
Company Secretary

Place: Mumbai
Date: September 15, 2020

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

	Notes	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Continuing operations			
Income			
Revenue from operations	22	1 35 586	84 899
Other income	23	6 889	2 439
Total income		1 42 475	87 338
Expenses			
Cost of raw and packing materials consumed	24	41 610	24 552
Purchase of stock-in-trade	25	2 837	2 731
Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	(1 303)	(347)
Employee benefits expense	27	18 293	13 127
Depreciation and amortisation expense	4 & 6	2 945	2 112
Impairment loss / (reversal)	4	----	(77)
Other expenses	28	42 608	30 098
Total expense		1 06 990	72 196
Profit before exceptional items and tax		35 485	15 142
Exceptional items	44	----	(656)
Profit before tax from continuing operations		35 485	15 798
Tax expense	30		
Current tax		10 278	5 497
Deferred tax		599	602
Tax for earlier years		(800)	(475)
		10 077	5 624
Profit for the period/year from continuing operations		25 408	10 174
Profit before tax from discontinued operations	40	----	97 959
Tax expense of discontinued operations		----	24 261
Profit for the period/year from discontinued operations		----	73 698
Net Profit for the period/year		25 408	83 872
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement gain/(loss) on defined benefit plans		(1 237)	(279)
Income tax related to items that will not be reclassified to profit or loss		311	97
Total other comprehensive income for the period/year		(926)	(182)
Total comprehensive income for the period/year		24 482	83 690
Earnings per equity share			
Earnings per equity share of continuing operations	31		
Basic and Diluted (in ₹)		153	61
Earnings per equity share of discontinued operations			
Basic and Diluted (in ₹)		----	444
Earnings per equity share of continuing and discontinued operations			
Basic and Diluted (in ₹)		153	505
Face Value of Equity Share (in ₹)		10	10
Significant accounting policies			
2			

See accompanying notes form an integral part of these Financial Statements

As per our attached report of even date.

For and on behalf of Board of Directors

For **HARIBHAKTI & Co. LLP**
Chartered Accountants
Firm Regn. No.: 103523W/W100048

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Chief financial officer
DIN No. 08295179

Preeti Bishnoi
Company Secretary

Place: Mumbai
Date: September 15, 2020

STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2019 TO 30 JUNE 2020

a. Equity share capital

	Amount ₹ in lakhs
Balance as at 01 January 2018	1 660
Changes in equity share capital during the year	----
Balance as at 31 December 2018	1 660
Changes in equity share capital during the period	----
Balance as at 30 June 2020	1 660

b. Other equity

Particulars	Reserves & surplus						
	Capital Reserve	Securities Premium	Capital Redemption Reserve	General Reserve	Retained Earnings	Share options outstanding account	Total
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
Balance as at 1 January 2018	26	1 113	26	34 389	36 112	----	71 666
Profit for the year	----	----	----	----	83 872	----	83 872
Other comprehensive income for the year	----	----	----	----	(182)	----	(182)
Total comprehensive income for the year	----	----	----	----	83 690	----	83 690
Dividend	----	----	----	----	(2 490)	----	(2 490)
Dividend distribution tax	----	----	----	----	(515)	----	(515)
Balance as at 31 December 2018	26	1 113	26	34 389	116 797	----	152 351
Profit for the period	----	----	----	----	25 408	----	25 408
Other comprehensive income for the period	----	----	----	----	(926)	----	(926)
Recognition of share based payment	----	----	----	----	----	194	194
Total comprehensive income for the period	----	----	----	----	24 482	194	24 676
Dividend	----	----	----	----	(73 037)	----	(73 037)
Dividend distribution tax	----	----	----	----	(15 016)	----	(15 016)
Balance as at 30 June 2020	26	1 113	26	34 389	53 226	194	88 974

Significant accounting policies

Note 2

See accompanying notes form an integral part of these Financial Statements.

As per our attached report of even date.

For and on behalf of Board of Directors

For **HARIBHAKTI & Co. LLP**
Chartered Accountants
Firm Regn. No.: 103523W/W100048

S.N Talwar
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Chief financial officer
DIN No. 08295179

Preeti Bishnoi
Company Secretary

Place: Mumbai
Date: September 15, 2020

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
A. Cash Flows from Operating Activities		
Profit before tax from continuing operations	35 485	15 798
Profit before tax from discontinued operations	----	97 959
Adjustments for:		
Net unrealised foreign exchange differences	66	146
Rent equalisation reserve	54	224
Provision for doubtful debts and advances	(107)	(324)
Bad debts	----	74
Depreciation of property, plant and equipment	2 945	2 499
Provision for Impairment	----	(77)
Income from letting of residential flat	(325)	(90)
Provision for employee benefits	1 472	270
Gain on transfer of BPL business	----	(91 357)
Loss/(Profit) on sale of assets	325	(656)
Share-based payment to employees	194	----
Dividend income on current investments	----	(433)
Income from write back	(242)	----
Interest income	(5 598)	(1 644)
Operating profit before working capital changes	34 269	22 389
Working capital adjustments:		
(Increase) in inventories	(2 075)	(2 800)
(Increase) in trade receivables	(2 920)	(2 962)
Decrease in financial and other Assets	1 405	615
Increase in trade payables	3 547	2 692
(Decrease) in other liabilities and provisions	(530)	(2 571)
Cash generated from operations	33 696	17 363
Income taxes paid (net)	(10 159)	(30 402)
Net cash generated from/ (used in) operating activities (A)	23 537	(13 039)
B. Cash Flows from Investing Activities		
Purchase and construction of property, plant and equipment	(2 327)	(2 672)
(Purchase) / sale of Investments (net)	----	6 997
Sale of property, plant and equipment	30	18
Income from letting of residential flat	325	90
Proceeds from sale of asset	----	761
Dividend income on current investments	----	433
Interest received	6 056	1 740
Consideration received towards transfer of BPL business	----	1 05 200
Redemption of bank deposits	12 381	31 971
Investment in bank deposits	----	(17 566)
Net cash generated from investing activities (B)	16 464	1 26 972

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2020

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
C. Cash flows from financing activities		
Dividend paid	(73 325)	(2 497)
Dividend tax paid	(15 016)	(515)
Net cash flow used in financing activities (C)	(88 341)	(3 012)
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(48 340)	1 10 921
Cash and cash equivalents at the beginning of the period/year	1 11 909	988
Cash and cash equivalents at the end of the period/year	63 569	1 11 909
Components of Cash and Cash equivalents:		
Cash in Hand	----	----
Balance with Banks		
In Current accounts	4 229	45 909
In Term deposits (less than 3 months maturity)	59 340	66 000
	63 569	1 11 909
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.		
Significant accounting policies		Note 2
See accompanying notes form an integral part of these Financial Statements.		

As per our attached report of even date.

For and on behalf of Board of Directors

For **HARIBHAKTI & Co. LLP**
Chartered Accountants
Firm Regn. No.: 103523W/W100048

S.N Talwar
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Chief financial officer
DIN No. 08295179

Preeti Bishnoi
Company Secretary

Place: Mumbai
Date: September 15, 2020

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

1 Corporate information

Procter & Gamble Health Limited (Formerly known as Merck Limited) (“the Company”) is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company is in the business of manufacturing and marketing of pharmaceuticals and chemicals.

During the earlier year, the shareholders have vide their resolution dated June 12, 2018, approved the execution of a business transfer agreement (BTA) with Merck Life Science Private Limited (MLSPL) to sell, lease or otherwise transfer certain businesses of the Company comprising exclusively of the biopharma, performance materials and life science segments (“BPL business”) to MLSPL (or to an affiliate of MLSPL, as directed by MLSPL), for an overall consideration of ₹ 105,200 lakhs on a slump sale basis (the Business Transfer). After receiving the necessary approvals, the Business Transfer has been completed on November 30, 2018. Subsequent to this, the Company’s main business is manufacturing and marketing of pharmaceuticals.

2 Significant accounting policies

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (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 accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its

operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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 in accordance with Ind AS 113 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.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving critical estimates and judgements are:

- (i) Estimation of useful life of property, plant and equipment
- (ii) Estimation of defined benefit obligation
- (iii) Provision for inventories
- (iv) Impairment of trade receivables

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. Accumulated experience is used to estimate and accrue for the discounts and rebates considering the terms of the underlying schemes and arrangements with customers.

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.

Revenue from shared service

Revenue from shared services is recognised as and when services are rendered and related costs are incurred, in accordance with the terms of the contractual agreement.

Export Incentives

Export benefits availed as per prevalent schemes are accrued each year in which the goods are exported and when no significant uncertainty exist regarding their ultimate collection.

Commission income is recognised as and when services are rendered, in accordance with the terms of the contractual agreement.

Interest income

Interest income is recognised on time proportion basis after taking into account the amount outstanding and the interest rate applicable.

Interest income is also recorded using the effective interest rate (EIR) wherever applicable. Interest income is included in other income in the Statement of Profit and Loss

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

Rental income

The Company's policy for recognition of revenue from operating leases is described in note 2.3(b) below.

Processing income

Revenue from toll manufacturing services offered to group companies on cost plus markup in accordance with the terms of contract.

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 fulfilment 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.

The Company as a lessor

Rental income 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 Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

c. Foreign currencies

The financial statements are presented in Indian Rupee (₹ 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, balances of monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Balances of 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. Balances of 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

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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.

The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

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 Compensated Absences as per its policy.

The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. 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.

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).

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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 & 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 to 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.

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

The current tax is based on taxable profit for the year. 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.

Minimum Alternate Tax (‘MAT’) under the provisions of Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. MAT paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

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

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

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.

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. All other repairs and maintenance cost are charged to the Statement of Profit and Loss during the period in which they are incurred.

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 Act, other than certain assets which are based on the 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 & equipment	10-15 years
Furniture and fixtures	3-15 years
Office equipment	3-15 years
Vehicles	4-18 years
Moulds & Dies	3-15 years

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

Leasehold improvements are amortised over the primary period of lease.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal. Depreciation on fixed assets added/ disposed off/ discarded during the year is provided on pro-rata basis with reference to month of addition/ disposal/ discarding.

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 Statement of Profit and Loss; however, in the case of revalued assets, the reversal is credited directly to revaluation surplus except to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Statement of Profit and Loss.

j. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 25-40 years.

k. Intangible assets

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. An

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

intangible asset is derecognised on disposal or when no future economic benefits are expected from its use.

Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

l. Non-current assets held for sale

Non-current assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use.

Such assets are generally measured at lower of their carrying amount 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 Statement of Profit or Loss.

Once classified as held for sale, intangible assets, property, plant and equipment and investment properties are no longer amortised or depreciated.

m. 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.

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

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.

n. 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.

Cost of return on account of breakage and expiries are estimated on the basis of past experience. Provision is made in respect of cost for breakage and expiries in the year of sale of goods.

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.

o. 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 assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Profit and Loss.

p. 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 or 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 of 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 the Statement of Profit and Loss and is included in the "Other income" line item.

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 lifetime 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

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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 the Statement of Profit and Loss.

q. 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 the 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.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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 the 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 the Statement of Profit and Loss.

If the Company neither transfers nor retains substantially all 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.

r. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

s. 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.

t. Cash and Cash Equivalents

Cash and Cash equivalents for the purpose of Statement of Cash Flows 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.

u. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Profit and Loss as and when incurred.

The development activities undertaken by the Company are subject to technical, regulatory and other uncertainties, such that, in the opinion of management, the criteria for capitalization are not met prior to obtaining marketing approval by the regulatory authorities in markets. Internal development cost that do not meet these criteria are therefore expensed as and when incurred.

v. Discontinued operation

A discontinued operation is a component of the entity that has been disposed and that represents a separate line of business. The results of discontinued operation is presented separately in the statement of profit and loss.

w. Earnings Per Share

Basic earnings per share is computed by dividing the profit / loss 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, diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

x. 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.

y. Recent accounting pronouncements

Standards issued but not yet effective

In March 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, 2019, notifying Ind AS 116 'Leases' and amendments to certain IND AS. The Standard / amendments are applicable to the Company with effect from July 1, 2020.

(i) Ind AS 116: Leases

The standard changes the recognition, measurement, presentation and disclosure of leases. It requires:

- Lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases.
- At the commencement of a lease, a lessee will recognise lease liability and an asset representing the right to use the asset during the lease term (right-of-use asset).
- Lessees will subsequently reduce the lease liability when paid and recognise depreciation on the right-of-use asset.
- A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The remeasurement normally also adjusts the right-of-use asset.
- The standard has no impact on the actual cash flows of a Company. However, operating lease payments currently expensed as operating cash outflows will instead be capitalised and presented as financing cash outflows in the statement of cash flows.

The Company has reviewed all relevant contracts to identify leases and preparations for this standard are substantially complete.

This review included:

- an assessment about whether the contract depends on a specific asset,
- whether the company obtains substantially all the economic benefits from the use of that asset; and
- whether the Company has the right to direct the use of that asset."

From July 1, 2020 the Company will focus on ensuring that the revised process for identifying and accounting for leases is followed.

(ii) Other Amendments

The MCA has notified below amendments which are effective July 1, 2020:

- Appendix C to Ind AS 12, Income taxes
- Amendments to Ind AS 109, Financial Instruments
- Amendments to Ind AS 19, Employee Benefits

Based on Preliminary work, the Company does not expect these amendments to have any significant impact on its Financial statements.

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 PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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 are disclosed in note 33.

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 27, 'Employee benefits expense'.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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

	Freehold land	Buildings and Flats	Leasehold Improvements	Plant & Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross block									
Balance as at 01 January 2018	50	2 817	326	12 554	886	1 320	1	1 070	19 024
Additions	----	269	----	1 324	101	193	----	73	1 960
Disposals	----	(76)	----	(37)	(57)	(26)	----	(96)	(292)
Disposal of BPL business pursuant to business transfer	----	(21)	(326)	(456)	(537)	(525)	----	(459)	(2 324)
Reversal of Asset Held for Sale	----	594	----	----	----	18	----	10	622
Assets reclassified as investment property [Refer note 5]	----	(521)	----	----	----	----	----	----	(521)
Balance as at 31 December 2018	50	3 062	----	13 385	393	980	1	598	18 469
Additions	----	467	33	1 793	700	44	----	27	3 064
Disposals	----	(532)	----	(790)	----	(180)	(3)	(157)	(1 662)
Reclassification of assets	----	625	----	(412)	(184)	(51)	31	(81)	(72)
Balance as at 30 June 2020	50	3 622	33	13 976	909	793	29	387	19 799
Accumulated depreciation									
Balance as at 01 January 2018	----	283	88	3 411	458	324	----	510	5 074
Depreciation for the year	----	288	29	1 594	164	169	----	208	2 452
Accumulated depreciation on disposals	----	----	----	(26)	(54)	(10)	----	(82)	(172)
Accumulated depreciation on disposal of BPL business pursuant to business transfer	----	(10)	(117)	(223)	(278)	(192)	----	(322)	(1 142)
Depreciation reclassified to investment property [Refer note 5]	----	(121)	----	----	----	----	----	----	(121)
Balance as at 31 December 2018	----	440	----	4 756	290	291	----	314	6 091
Depreciation for the period/year	----	194	1	2 172	137	131	5	196	2 836
Accumulated depreciation on disposals	----	(496)	----	(512)	----	(148)	(1)	(151)	(1 308)
Accumulated depreciation on reclassification of assets	----	244	----	(124)	(154)	109	11	(122)	(36)
Balance as at 30 June 2020	----	382	1	6 292	273	383	15	237	7 583

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

	Freehold land	Buildings and Flats	Leasehold Improvements	Plant & Machinery	Computer / Hardware	Furniture and Fixtures	Vehicles	Office Equipment	Total
Impairment losses recognised in profit or loss									
Balance as at 01 January 2018	----	837	----	1 567	----	77	----	41	2 522
Reversal of impairment	----	(26)	----	(49)	----	(2)	----	----	(77)
Balance as at 31 December 2018	----	811	----	1 518	----	75	----	41	2 445
Impairment for the period/year	----	----	----	----	----	----	----	----	----
Reversal of impairment	----	----	----	----	----	----	----	----	----
Balance as at 30 June 2020	----	811	----	1 518	----	75	----	41	2 445
Net carrying amount									
Net block as at 30 June 2020	50	2 429	32	6 166	636	335	14	109	9 771
Net block as at 31 December 2018	50	1 811	----	7 111	103	614	1	243	9 933
Net block as at 01 January 2018	50	1 697	238	7 576	428	919	1	519	11 428

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Capital work-in-progress	2 145	1 735
	2 145	1 735

Notes: The Company has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition to Ind AS and hence the net block carrying amount under the previous GAAP as on January 01, 2016 has been considered as the gross block carrying amount on that date.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

5 Investment property

The Company has certain office premises given on lease, which has been classified as investment property.

	As at June 30 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Gross Carrying Amount		
Opening Gross Carrying Value	521	----
Transfer from Property, plant and equipment	----	521
Closing Gross Carrying Value	521	521
Accumulated Depreciation		
Opening accumulated depreciation	139	----
Transfer from Property, plant and equipment	----	121
Depreciation during the period/year	52	18
Closing accumulated depreciation	191	139
Net carrying value	330	382

a) Amounts recognised in the Statement of Profit and Loss for Investment Property

	Period ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Rental income	325	90
Direct operating expenses from property that generated rental income	21	12
Profit from Investment Property before Depreciation	304	78
Depreciation	52	18
Profit from Investment Property	252	60

b) Contractual Obligations

The Company has no contractual obligations to purchase, construct or develop investment property. However, the responsibility for its repairs, maintenance or enhancements is with the Company.

c) Fair Value

Based on Independent valuation report as on 14 September 2020, for one of the property located in the same premises, the management has estimated fair value of ₹ 3314.0 lakhs for the investment properties. The aforesaid estimated amount will not be materially different from the fair value of the property as on June 30, 2020.

d) Policy for Estimation of Fair Value

Market Approach/ Direct Comparison Approach

The Direct Comparison Approach involves a comparison of the subject property to similar properties that have actually sold in arms - length transactions or are offered for sale. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

6 Intangible assets

	Computer Software ₹ in lakhs	Total ₹ in lakhs
Gross block		
Balance as at 1 January 2018	127	127
Additions	26	26
Disposal of BPL business pursuant to business transfer	(62)	(62)
Balance as at 31 December 2018	91	91
Additions	----	----
Disposals	(4)	(4)
Reclassification of assets	72	72
Balance as at 30 June 2020	159	159
Amortisation and impairment		
Balance as at 1 January 2018	48	48
Amortisation for the year	28	28
Accumulated amortisation on disposal of BPL business pursuant to business transfer	(28)	(28)
Balance as at 31 December 2018	48	48
Amortisation for the year	57	57
Accumulated amortisation on disposals	(4)	(4)
Accumulated amortisation on reclassification of assets	36	36
Balance as at 30 June 2020	137	137
Net block as at 30 June 2020	21	21
Net block as at 31 December 2018	43	43

The Company has availed the deemed cost exemption in relation to the Intangible assets on the date of transition to Ind AS and hence the net block carrying amount under the previous GAAP as on January 01, 2016 has been considered as the gross block carrying amount on that date.

7 Loans

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Unsecured, considered good unless otherwise stated		
Non-current		
Loan to employees (refer note below)	7	6
Less: Allowance for bad and doubtful loans	----	----
	7	6
Current		
Loan to employees (refer note below)	9	6
Less: Allowance for bad and doubtful loans	----	----
	9	6

Notes:

- (a) Loans given to employees as per the Company's policy are not considered for the purposes of disclosure under Section 186 (4) of the Act.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

8 Other financial assets

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Non-current		
Security Deposits		
Unsecured, considered good	776	390
Unsecured, doubtful	----	46
Less: Allowance for doubtful deposits	----	(46)
	776	390
Current		
Interest accrued but not due on term deposits	258	716
Other receivables		
from related parties (refer note 36)	81	756
from Others	62	1 064
	401	2 536

9 Deferred tax assets (Net)

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Deferred tax assets	1 579	1 942
Deferred tax liabilities	(64)	(139)
	1 515	1 803

Deferred tax assets / (liabilities) in relation to:

1 January 2019 to 30 June 2020	Opening Balance ₹ in lakhs	Recognised in profit or loss ₹ in lakhs	Recognised in OCI ₹ in lakhs	Closing Balance ₹ in lakhs
Property plant and equipment and intangible assets	(139)	75	----	(64)
Provision for doubtful trade receivables, deposits and advances	78	(61)	----	17
Personnel and other related provisions	645	(416)	311	540
Provision for sales tax matters	342	(117)	----	225
Other provisions	877	(80)	----	797
	1 803	(599)	311	1 515

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

1 January 2018 to 31 December 2018	Opening Balance	Transfer on account of Sale of BPL business	Continuing Operations	Recognised in profit and loss*	Recognised in OCI	Closing Balance
	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
Property plant and equipment and intangible assets	258	(23)	281	(420)	----	(139)
Provision for doubtful trade receivables, deposits and advances	186	74	112	(34)	----	78
Personnel and other related provisions	1 292	320	972	(424)	97	645
Provision for sales tax matters	261	----	261	82	----	342
Other provisions	1 083	398	685	194	----	877
	3 080	769	2 311	(602)	97	1 803

10 Other assets

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Non-current		
Capital advances	26	98
Balances with government authorities		
Unsecured, considered good	375	260
	401	358
Current		
Advance to employees		
Unsecured, considered good	57	113
Less: Allowance for doubtful advances	----	----
	57	113
Prepaid expenses	375	525
Advance for supply of goods	189	159
Balances with government authorities (includes Service Tax and Cenvat credit receivable)	7 741	7 797
	8 362	8 594

11 Non current tax assets (net)

Advance income tax [Net of provision for tax ₹ 64,025 lakhs (31 December 2018: ₹ 48,632 lakhs)]	6 989	7 866
	6 989	7 866

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

12 Inventories

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Inventories (valued at lower of cost and net realisable value)		
Raw materials [Includes stock-in-transit ₹ Nil (31 December 2018: ₹ Nil)]	5 693	5 059
Packing materials	1 136	943
Work-in-progress	1 605	538
Finished goods/ Stock in trade [Includes stock-in-transit ₹ 65 lakhs (31 December 2018: ₹ Nil)]	4 947	4 711
Consumable stores and spares	30	84
	13 411	11 335

Notes:

During the period ended 30 June 2020, the write-down of inventories to net realisable value amounted to ₹ Nil (31 December 2018: ₹ Nil). These adjustments were included in cost of material consumed and changes in inventories.

13 Trade receivables

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Unsecured, considered good	9 527	6 617
Unsecured, considered doubtful	70	177
	9 597	6 794
Less: Allowance for doubtful debts	(70)	(177)
	9 527	6 617

14 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 period 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, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Cash in Hand	----	----
Balances with banks:		
- In current accounts	4 229	45 909
- Deposits with original maturity of less than three months	59 340	66 000
	63 569	1 11 909

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

14.1 Bank balances other than cash and cash equivalents

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Earmarked accounts		
- Unclaimed / Unpaid dividend account	340	52
Bank deposits with original maturity more than 3 months but less than 12 months	----	12 381
	340	12 433

Unpaid dividend of ₹ 340 lakhs (31 December 2018: ₹ 52 lakhs), included in bank balances, is not available for use by the Company.

15 Equity share capital

	As at June 30, 2020 ₹	As at December 31, 2018 ₹
Authorised share capital:		
1 80 00 000 fully paid equity shares of ₹ 10 each (as at December 31, 2018: 1 80 00 000)	18 00 00 000	18 00 00 000
Issued, subscribed and paid up share capital:		
1 65 99 382 fully paid equity shares of ₹ 10 each (as at December 31, 2018: 1 65 99 382)	16 59 93 820	16 59 93 820
	16 59 93 820	16 59 93 820

15.1 Fully paid equity shares

	Number of shares	Share Capital ₹ in lakhs
Balance at January 1, 2018	1 65 99 382	1 660
Changes in equity share capital during the year	----	----
Balance at December 31, 2018	1 65 99 382	1 660
Changes in equity share capital during the Period	----	----
Balance at June 30, 2020	1 65 99 382	1 660

Terms/ rights attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

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.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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.

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

	As at June 30, 2020 ₹	As at December 31, 2018 ₹
Ultimate Holding Company		
The Procter & Gamble Company, USA	----	----
Holding Company		
Procter & Gamble Overseas India BV, The Netherlands [(as at June 30 2020 : 86 01 071 Shares and as at December 31 2018 : 86 01 071 shares)]	8 60 10 710	8 60 10 710

Note:

Shareholding of Procter and Gamble Overseas India BV includes 1,847 shares acquired from public shareholders through an Open Offer process.

15.3 Details of shareholders holding more than 5% equity shares in the company

	As at June 30, 2020		As at December 31, 2018	
	Number of shares held	% holding of equity shares	Number of shares held	% holding of equity shares
Equity shares of ₹ 10 each fully paid				
Procter & Gamble Overseas India BV, The Netherlands	86 01 071	51.82%	86 01 071	51.82%

15.4 Dividend

	Period ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Dividend on equity shares paid during the year		
Final dividend for the FY 2018: ₹ 440/- (Previous year for FY 2017: ₹ 15) per equity share of ₹ 10 each	73 037	2 490
Dividend distribution tax on final dividend	15 016	515
TOTAL	88 053	3 005

Proposed Dividend:

Subject to approval of shareholders at the annual general meeting, Board of Directors have recommended dividend of 2300% (at the rate of ₹ 230/- per share of ₹ 10 each) on 16,599,382 equity shares for the period ended 30 June 2020.

The above is subject to approval at the ensuing Annual General Meeting of the Company and hence is not recognised as a liability.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

16 Other equity

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Reserves & surplus		
Capital reserve	26	26
Capital redemption reserve	26	26
Securities premium	1 113	1 113
Share options outstanding account	194	----
General reserve	34 389	34 389
Retained earnings	53 226	1 16 797
	88 974	1 52 351

16.1 Capital Reserve

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	26	26
Movement during the year	----	----
Balance at the end of year	26	26

Capital Reserve balance represents

- ₹ 15 lakh on account of amount received under the Central Investment Subsidy Scheme in respect of Goa project
- ₹ 1 lakh on account of profit on forfeited shares reissued
- ₹ 10 lakh on account of capital subsidy

16.2 Capital redemption reserve

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	26	26
Movement during the year	----	----
Balance at the end of year	26	26

Capital Redemption Reserve represents balance pertaining to face value of shares bought back in 2009.

16.3 Securities premium

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	1 113	1 113
Movement during the year	----	----
Balance at the end of year	1 113	1 113

Securities premium is used to record the premium on issue of shares which is utilised in accordance with the provisions of The Companies Act, 2013.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

16.4 Share options outstanding account

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	----	----
Arising on share-based compensation	194	----
Balance at the end of year	194	----

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 33

16.5 General reserve

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	34 389	34 389
Movement during the year	----	----
Balance at the end of year	34 389	34 389

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.

16.6 Retained earnings

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Balance at the beginning of year	1 16 797	36 112
Profit attributable to the owners of the Company	25 408	83 872
Other comprehensive income arising from remeasurement of defined benefit obligation (net of income tax)	(926)	(182)
Payment of final dividend on equity shares	(73 037)	(2 490)
Dividend distribution tax	(15 016)	(515)
Balance at the end of year	53 226	1 16 797

This reserve represents the cumulative profits / (losses) of the Company and effects of remeasurement of defined benefit obligations. This reserve can be utilised in accordance with the provisions of the Act.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

17 Provisions

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Long term provision		
Provision for employee benefits:		
Provision for Gratuity (refer note 35)	1 507	143
Provision for Compensated Absences (refer note 35)	----	405
Provision for other employee benefits (refer note 42)	343	357
Provision for sales tax (refer note 42)	1 064	874
Provision for others (refer note 42)	1 171	590
TOTAL	4 085	2 369
Short term provision		
Provision for employee benefits:		
Provision for Compensated Absences (refer note 35)	436	328
TOTAL	436	328

18 Other liabilities

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Non-current		
Rent equalisation reserve	54	224
Security deposit	67	61
	121	285
Current		
Advances from customers	110	180
Payables towards statutory dues	766	213
Advance rental income	12	19
	888	412

19 Trade payables

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Acceptances	----	28
Total outstanding dues of micro and small enterprises (refer note 41)	699	229
Total outstanding dues of Creditors other than micro and small enterprises	11 697	8 885
	12 396	9 142

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

20 Other financial liabilities

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Creditors for capital purchases	1 729	653
Employee benefits payable	1 822	2 158
Payable towards services received	4 673	4 527
Unpaid dividend	339	52
	8 563	7 390

21 Current tax liabilities (Net)

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Provision for tax [net of advance tax paid ₹ 31,128 lakhs (31 December 2018: ₹ 35,488 lakhs)]	451	2 009
	451	2 009

22 Revenue from operations

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Sale of products	1 32 921	81 819
Other operating revenues		
Sale of scrap	59	35
Duty drawback on exports	79	68
Income from shared services	2 527	2 977
	1 35 586	84 899

23 Other income

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Interest income earned on:		
Bank deposits/Others	5 598	1 719
Income tax refund	127	----
	5 725	1 719
Other non-operating income (net of expenses directly attributable to such income)		
Net gain on account of foreign exchange fluctuations	267	99
Provisions no longer required written back	242	77
Dividend income on current investments	----	433
Miscellaneous income	655	111
	1 164	720
Total	6 889	2 439

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

24 Cost of raw and packing materials consumed

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Cost of raw and packing materials consumed	41 610	24 552

25 Purchase of Stock in trade

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Purchase of Stock-in-trade	2 837	2 731

26 Changes in inventories of finished goods, work-in-progress and stock-in-trade

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Inventories at the beginning of year:		
Finished Goods/ Stock in trade	4 711	4 354
Work-in-process	538	548
	5 249	4 902
Inventories at the end of year:		
Finished Goods/ Stock in trade	4 947	4 711
Work-in-process	1 605	538
	6 552	5 249
Net (Increase) / Decrease	(1 303)	(347)

27 Employee benefits expense

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Salaries, wages and bonus	15 323	11 223
Contribution to provident and other funds	875	589
Share-based payment to employees (refer note 34)	197	----
Gratuity (refer note 35)	383	203
Staff welfare expense	1 515	1 112
	18 293	13 127

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

28 Other expenses

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Consumption of store and spares	847	198
Processing charges	6 930	4 895
Power and fuel	1 909	1 223
Logistics cost	4 820	3 314
Rent (refer note 37.1.1)	1 097	707
Rates and taxes	1 430	1 059
Repairs and maintenance		
Plant and machinery	671	131
Buildings	21	2
Others	536	435
Advertising/ Sales promotion expenses	11 727	9 933
Royalty	2 605	1 371
Travelling and conveyance	3 953	3 431
Insurance	79	91
Legal and professional fees	3 944	2 470
Research and development expenses	661	205
Corporate social responsibility (refer note 29.2)	311	179
Bad debts written off	130	74
Allowance for doubtful receivables	(107)	(324)
Loss on sale of property, plant and equipment (net)	325	----
Miscellaneous expenses	719	704
	42 608	30 098

29.1 Payments to auditors:

(included in Legal and professional fees above)

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
(a) To statutory auditors (excluding GST)		
For audit	24	20
For taxation matters and other services	8	7
Reimbursement of expenses	3	2
(b) To cost auditors for cost audit (excluding GST)		
For audit	2	2
For other services	2	----
	39	31

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

29.2 Corporate Social Responsibility

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
The Company has spent towards various schemes of Corporate Social Responsibility as prescribed under section 135 of the Companies Act, 2013. This amount corresponds with the gross amount required to be spent by the company during the year.	303	219
(i) Amount spent for purposes of Construction/ acquisition of asset	----	----
(ii) Amount spent for purposes other than (i) above	311	179
Total	311	179

None of the above amount spent is through any related party / affiliate. The Company does not carry any provisions for Corporate social responsibility expenses for current year and previous year.

30 Income tax expense

30.1 Income tax recognised in Statement of Profit and Loss

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Current income tax		
In respect of the current period/year	10 278	5 497
In respect of prior years	(800)	(475)
	9 478	5 022
Deferred tax		
Change in unrecognised deductible temporary differences	599	602
	599	602
Tax expense of Continuing operation	10 077	5 624
Tax expense of Discontinued operation	----	24 261
Total Income tax expense recognised in the current period/year	10 077	29 885

30.2 Income tax recognised in other comprehensive income

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Deferred tax		
Arising on expense recognised in other comprehensive income		
Remeasurement of defined benefit obligations	311	97
	311	97
Total income tax recognised in other comprehensive income not to be reclassified to Statement of Profit and Loss	311	97

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

30.3 Reconciliation of effective tax rate

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Profit for the period/year before tax (continuing and discontinued operations)	35 485	1 13 756
Tax using the Company's domestic tax rate 25.17% (PY 34.944%)	8 932	39 751
Reduction in tax rates for long term capital gain on business transfer	----	(10 683)
Tax effect of:		
Dividend received	----	(151)
Current tax expenses relating to prior years	(800)	(474)
Donation	78	59
Liability based on calendar year and tax financial year	1 460	1 199
Others	(98)	184
Impact of reduction in tax rate	505	----
	10 077	29 885
Effective tax rate (%)	28.40	26.27

31 Earnings per share

	18 months ended June 30, 2020 ₹ per share	Year ended December 31, 2018 ₹ per share
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the period/year	1 65 99 382	1 65 99 382
Number of equity shares outstanding at the end of the period/year	1 65 99 382	1 65 99 382
Weighted average number of equity shares outstanding during the period/year	1 65 99 382	1 65 99 382

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Profit for the period/year attributable to owners of the Company	25 408	83 872
Earnings used in calculation of basic and diluted earnings per share	25 408	83 872
Less: Profit for the period/year from discontinued operations attributable to owners of the Company	----	73 698
Earnings used in calculation of basic and diluted earnings per share from continuing operations	25 408	10 174

31.1 Basic and Diluted earnings per share

	18 months ended June 30, 2020 ₹	Year ended December 31, 2018 ₹
Basic and diluted earnings per share (continued operations)		
Total basic earnings per share (face value ₹ 10)	153	61
Total diluted earnings per share (face value ₹ 10)	153	61
Basic and diluted earnings per share (discontinued operations)		
Total basic earnings per share (face value ₹ 10)	----	444
Total diluted earnings per share (face value ₹ 10)	----	444

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

32 Segment information

32.1 General Information

The Company's chief operating decision maker (CODM) examined the Company's performance based on its business unit 'Pharmaceuticals' and 'Chemicals'. However, pursuant to execution of Business Transfer Agreement, in line with requirements of Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations", the results of operations of BPL business (Biopharma / Performance materials/ Life sciences) have been disclosed under discontinued operations for all the periods presented.

Further, the internal organization of the Company and reportable segments have changed. The Company will now operate under only one segment i.e. Pharmaceuticals which is its continuing operations.

32.2 Geographical segment information

In respect of secondary segment information, the Company has identified its geographical segment as (i) India and (ii) Outside India.

The Company's revenue from continuing operations by location of operations and the location of Company's non current assets (other than financial instruments and deferred tax assets) are detailed below.

	Revenue from continuing operations		Segment assets	
	Period ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
India	1 20 227	74 580	19 653	20 285
Outside India	15 359	10 319	4	32
	1 35 586	84 899	19 657	20 317

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

33 Financial instruments & related disclosures

33.1 Capital management

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and 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 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 if any, return on capital to shareholders or issue new shares.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

33.2 Categories of financial instruments

₹ in lakhs

30 June 2020	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Long term Loans	----	----	7	7	----	----	----	----
Security Deposits	----	----	776	776	----	776	----	776
Investments	----	----	----	----	----	----	----	----
Trade and other receivables	----	----	9 527	9 527	----	----	----	----
Cash and cash equivalents	----	----	63 569	63 569	----	----	----	----
Other bank balances	----	----	340	340	----	----	----	----
Loans	----	----	9	9	----	----	----	----
Other financial assets	----	----	401	401	----	----	----	----
	----	----	74 629	74 629	----	776	----	776
Financial liabilities								
Trade and other payables	----	----	12 396	12 396	----	----	----	----
Other financial liabilities	----	----	8 563	8 563	----	----	----	----
	----	----	20 959	20 959	----	----	----	----
31 December 2018								
	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Long term Loans	----	----	6	6	----	----	----	----
Security Deposits	----	----	390	390	----	390	----	390
Investments	----	----	----	----	----	----	----	----
Trade and other receivables	----	----	6 617	6 617	----	----	----	----
Cash and cash equivalents	----	----	1 11 909	1 11 909	----	----	----	----
Other bank balances	----	----	12 433	12 433	----	----	----	----
Loans	----	----	6	6	----	----	----	----
Other financial assets	----	----	2 536	2 536	----	----	----	----
	----	----	1 33 897	1 33 897	----	390	----	390
Financial liabilities								
Trade and other payables	----	----	9 142	9 142	----	----	----	----
Other financial liabilities	----	----	7 390	7 390	----	----	----	----
	----	----	16 532	16 532	----	----	----	----

33.3 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.

33.4 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment, policies and

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

processes are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes. The Company has exposure to the following risks arising from financial instruments:

33.4.1 Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows (before allowance for doubtful debts) :

Particulars	As at 30 June 2020 ₹ in lakhs	As at 31 December 2018 ₹ in lakhs
Neither past due nor impaired	8 692	4 734
Past due but not impaired		
Past due 1–90 days	773	1 823
Past due 91–180 days	60	16
Past due 181–270 days	9	7
Past due 271–360 days	----	9
Past due more than 360 days	63	205
	9 597	6 794

Expected credit loss assessment

Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue. Further, management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk. The impairment loss at 30 June 2020 related to several customers that have defaulted on their payments to the Company and are not expected to be able to pay their outstanding balances, mainly due to economic circumstances.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

Particulars	As at 30 June 2020 ₹ in lakhs	As at 31 December 2018 ₹ in lakhs
Balance as at the beginning of the year	177	488
Impairment loss recognised/ (reversed) (net)	(107)	(264)
Amounts transferred relating to BPL Business	----	(47)
Amounts written back		
Balance as at the year end	70	177

Cash and cash equivalents

The Company held cash and cash equivalents and other bank balances with credit worthy banks and financial institutions of ₹ 63,909 lakhs (31 December 2018: ₹ 124,342 lakhs). The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

33.4.2 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

As of 30 June 2020 the Company has working capital of ₹ 72,885 lakhs (31 December 2018: ₹ 134,149 lakhs) including cash and cash equivalents and other bank balances of ₹ 63,909 lakhs (31 December 2018: ₹ 124,342 lakhs). Working capital is calculated as current assets less current liabilities.

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
At June 30, 2020					
Trade and other payables	12 396	----	----	12 396	12 396
Other financial liabilities	8 563	----	----	8 563	8 563
At December 31, 2018					
Trade and other payables	9 142	----	----	9 142	9 142
Other financial liabilities	7 390	----	----	7 390	7 390

33.4.3 Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

33.4.4 Currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the profit and loss account, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity.

Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in EURO and USD against the respective functional currency of the Company.

The Company does not use any derivative financial instruments to hedge foreign exchange and interest rate exposure.

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.

Particulars	Currency	Amount in rupees		Amount in foreign currency	
		As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Trade receivable	USD	3 781	2 518	50	37
	EUR	557	1 563	7	20
Trade payable	USD	3 638	3 149	48	44
	EUR	67	115	1	1

33.4.5 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.

The following analysis has been worked out based on the exposures as of the date of statements of financial position.

Effect in Rupees	Profit or loss before tax		Equity, gross of tax	
	Strengthening	Weakening	Strengthening	Weakening
30 June 2020				
USD	14	(14)	14	(14)
EUR	49	(49)	49	(49)
31 December 2018				
USD	(63)	63	(63)	63
EUR	145	(145)	145	(145)

33.4.6 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.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

33.4.7 Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows.

Particulars	As at 30 June 2020 ₹ in lakhs	As at 31 December 2018 ₹ in lakhs
Fixed Rate instruments		
Financial assets	-	12 381

Interest rate sensitivity - fixed rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit and loss, and the Company does not have any designated derivatives. Therefore, a change in interest rates at the reporting date would not affect profit and loss for any of these fixed interest bearing financial instruments.

34 Share-based payments

a) International Stock Ownership Plan (Stocks of the Ultimate Holding Company)

The Procter & 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 & 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 period ended June 30, 2020: no shares were purchased by employees. The Company's contribution during the year on such purchase of shares amounting to ₹ 3 Lakhs (December 31, 2018: ₹ Nil) has been charged under employee benefits expense under note 27.

b) Employees Stock Options Plan (Stocks of the Ultimate Holding Company)

The Procter & 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 & 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.

The expense recognised for employee services received during the year is shown in the following table:

	Strengthening ₹ in lakhs	Weakening ₹ in lakhs
Expense arising from equity-settled share-based payment transactions	194	----
Total expense arising from share-based payment transactions	194	----

There were no cancellations or modifications to the awards in 30 June 2020.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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):

	Period Ended June 30, 2020	Period Ended June 30, 2020	Estimated fair value of options granted	Year ended December 31, 2018	Year ended December 31, 2018	Estimated fair value of options granted
	Number	WAEP (in \$)	in ₹	Number	WAEP (in \$)	in ₹
Outstanding at January 1, 2019	----	-	----	----	-	----
Granted during the year 2020						
28-Feb-19	2 269	98.55	7 066	----	----	----
01-May-19	2 384	104.93	7 523	----	----	----
02-Jan-20	1 622	123.41	8 848	----	----	----
28-Feb-20	10 579	113.23	1 086	----	----	----
28-Feb-20	733	113.23	188	----	----	----
Forfeited during the Period/ Year	----	----	----	----	----	----
Exercised during the Period/ Year	----	----	----	----	----	----
Expired during the Period/ Year	----	----	----	----	----	----
Outstanding at June 30, 2020	17 587	119.57	----	----	----	----
Exercisable at June 30, 2020	----	119.57	----	----	----	----

The weighted average share price at the date of exercise of these options was \$ Nil (December 31, 2018: \$ Nil).

The weighted average remaining contractual life for the share options outstanding as at June 30, 2020 was 6.62 years (December 31, 2018: Nil).

The weighted fair value of options granted during the year was ₹ 3 408 (December 31, 2018: ₹ Nil).

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, 2020 and December 31, 2018, respectively:

	Strengthening	Weakening
Dividend yield (%)	2.39%	----
Expected volatility (%)	16.63%	----
Risk-free interest rate (%)	1.30%	----

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

35 Employee benefit plans

35.1 Defined Benefit plans

The Company operates two post employment defined benefit plans that provide Gratuity and Provident fund benefits. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Company also makes specified monthly contributions towards employee provident fund to the Merck Employees Provident Fund Trust. The interest rate payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the interest payable at the notified rate.

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) Compensated absences (Unfunded)

The Company also provides for compensated absences as per its policies, 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 period/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 plan, 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, 2020. 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.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

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

	Valuations as at	
	June 30, 2020	December 31, 2018
Discount rate:		
Gratuity plan (funded)	5.50%	7.60%
Compensated absence plan (unfunded)	5.50%	7.60%
Expected rate of salary increase		
Gratuity plan (funded)	11.00%	11.00%
Compensated absence plan (unfunded)	11.00%	11.00%
Attrition rate		
Gratuity plan (funded)	10.00%	12.00%
Compensated absence plan (unfunded)	10.00%	12.00%

Demographic Assumptions

Mortality in Service: Indian Assured Lives Mortality (2006-08) Ultimate table

B. Amounts recognised in the statement of profit and loss in respect of these defined benefit plans are as follows:

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Gratuity Plan (Funded)		
Service costs:		
Current service cost	382	232
Past service cost	----	45
Net interest expense	1	69
Components of defined benefit costs recognised in statement of profit and loss (A)	383	346
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in financial assumptions	615	(169)
Actuarial (gains) / losses arising from changes in experience adjustments	600	291
Actuarial (gains) / losses arising from changes in demographic assumptions	----	168
Return on plan asset	22	(11)
Components of defined benefit costs recognised in other comprehensive income (B)	1 237	279
Total (C = (A+B))	1 620	625
Compensated absence plan (Unfunded)		
Service costs:		
Current service cost	(161)	670
Net interest expense	63	38
Immediate recognition of (gains)/losses – other long term employee benefit plans	164	----
Remeasurement of other long term benefits	----	2
Components of defined benefit costs recognised in statement of profit and loss (D)	66	710

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in financial assumptions	----	----
Actuarial (gains) / losses arising from changes in experience adjustments	----	----
Actuarial (gains) / losses arising from changes in demographic assumptions	----	----
Components of defined benefit costs recognised in other comprehensive income (E)	----	----
Total (F = (D+E))	66	710
Total defined benefit costs recognised in the statement of profit and loss (A+D)	449	1 056
Total defined benefit costs recognised in the other comprehensive income (B+E)	1 237	279

The remeasurement of the net defined benefit liability is included in other comprehensive income.

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, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Gratuity Plan (Funded)		
Present value of funded defined benefit obligation	4 641	2 943
Fair value of plan assets	(3 134)	(2 800)
Net liability arising from defined benefit obligation	1 507	143
Compensated absence plan (Unfunded)		
Present value of funded defined benefit obligation	436	733
Net liability arising from defined benefit obligation	436	733

D. Movement in the present value of the defined benefit obligation are as follows:

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Gratuity Plan (Funded)		
Opening defined benefit obligation	2 943	3 343
Current service cost	382	232
Past service cost	----	45
Interest cost	323	203
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in financial assumptions	543	(169)
Actuarial (gains) / losses arising from changes in experience adjustments	600	291
Actuarial (gains) / losses arising from changes in demographic assumptions	72	168
Benefits paid	(222)	(214)
(Decrease) due to effect of any business combination, divestiture, transfers*		(956)
Closing defined benefit obligation	4 641	2 943

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

E. Movement in the fair value of the plan assets are as follows:

	18 months ended June 30, 2020 ₹ in lakhs	Year ended December 31, 2018 ₹ in lakhs
Gratuity Plan		
Opening fair value of plan assets	2 800	2 036
Interest income	322	134
Employer contributions	34	1 603
Actuarial gains/(loss)	(22)	11
Remeasurement gain / (loss):		
Return on plan assets (excluding amounts included in net interest expense)	----	----
(Decrease) due to effect of any business combination, divestiture, transfers*	----	(976)
Benefits paid	----	(8)
Closing fair value of plan assets	3 134	2 800

F. The fair value of the plan assets for plan at the end of the reporting period for each category, are as follows:

	Gratuity Plan	
	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Insurer managed funds	3 134	2 800
Total	3 134	2 800

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

Expected employer contributions for the period ending June 30, 2020 is ₹ Nil Lakhs (for the year ended December 31, 2018: ₹ Nil lakhs)

The actual return on plan assets was ₹ 322 lakhs (for the year ended December 31, 2018: ₹ 134 lakhs)

Maturity profile of defined benefit obligation:	Gratuity Plan ₹ in lakhs
Within 1 year	483
1 - 2 year	537
2 - 3 year	457
3 - 4 year	637
4 - 5 year	579
5 - 10 years	3 446

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.

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G. Sensitivity analysis

Gratuity Plan (Funded)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in defined benefit obligation to be the amount shown below.

Balance of defined benefit obligations	As at 30 June 2020		As at 31 December 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (50 basis points)	141	149	2,869	3,021
Future salary growth (50 basis points)	136	130	3,025	2,864

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

c) Long term service award (unfunded)

Long term service award is given on completion of minimum 10 years of service.

Contribution to Provident fund, Superannuation fund and others

Amount of ₹ 875 lakhs (2018: ₹ 808 lakhs) is recognised as an expense and included in “Employee costs” (refer note 27) in the Statement of Profit and Loss which includes continuing and discontinued operations.

In respect of provident fund set up by employer which requires interest shortfall to be met by the employer, it needs to be treated as defined benefit plan.

The Institute of Actuaries of India has issued guidance for measurement of provident fund liabilities on actuarial basis. Based on this guidance note, the actuary has provided an actuarial valuation of the provident fund liability of the Company as at 30 June 2020.

36 Related party disclosures

The Group Companies of The Procter & Gamble Company, USA, include, among others,

From 03 December 2018

(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

The Procter & Gamble Company, USA through its subsidiary, Procter & Gamble Overseas India B.V., The Netherlands holds 51.8% (w.e.f 03 December 2018) of equity share capital as at 31 December 2018.

[After the closing under the India Sale and Purchase Agreement, dated April 19, 2018, by and among, Merck Internationale Beteiligungen GmbH, Chemittra GmbH, Emedia Export Company mbH, Merck KGaA and Procter & Gamble Overseas India B.V.. As a result of this, effective December 03, 2018, Procter & Gamble Overseas India B.V. has become new promoter of the Company and the Company is now a Procter & Gamble Group Company.]

Upto 2 December 2018

Relationship	Name of the Company
Ultimate Holding Company	Merck KGaA, Germany through its subsidiaries listed below as investing associates holds 51.8% of equity share capital till 2 December 2018.
Investing Associates	Chemittra GmbH, Germany
	Emedia Export Company mbH, Germany
	Merck Internationale Beteiligungen GmbH, Germany

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

(b) Other parties with whom transactions have taken place during the year.

(i) Fellow Subsidiaries (from 03 December 2018 onwards)

S. No.	Name of the Company	S. No.	Name of the Company
1	Procter & Gamble Health Germany GmbH (formerly Merck Selbstmedikation GmbH, Germany)	5	Procter & Gamble Home Products Pvt. Ltd
2	Procter & Gamble Hygiene & Health Care Limited	6	Procter & Gamble International Operations SA-ROHQ
3	P&G Health Austria GmbH & Co. OG (Formerly Merck KGaA & Co. Werk Spittal, Austria)	7	The Procter & Gamble US Business Services Company
4	Gillette India Limited	8	Procter & Gamble International Operations SA Singapore Branch

Fellow Subsidiaries Upto 2 December 2018

S. No.	Name of the Company	S. No.	Name of the Company
1	Ares Trading S.A., Switzerland	24	Merck Serono Middle East FZE-LLC
2	EMD Millipore Corporaton, USA	25	Merck Serono SA, Switzerland
3	Merck & Cie., Switzerland	26	Merck S. L. U., Spain
4	Merck Chemicals (Shanghai) Company Ltd., China	27	Merck Specialities Private Limited, India
5	Merck Inc., Philippines	28	Merck Life Science Private Limited, India
6	Merck Performance Materials Ltd, Japan	29	P.T. Merck Chemicals and Lifesciences, Indonesia
7	Merck Limited, Japan	30	P.T. Merck Tbk., Indonesia
8	Merck Performance Materials Manufacturing G.K., Japan	31	Seven Seas Limited, United Kingdom
9	Merck KGaA & Co. Werk Spittal, Austria	32	Suzhou Taizhu Technology Development Co. Ltd., China
10	Merck Limited, Taiwan	33	Merck (Pty) Limited, South Africa
11	Merck Limited, Thailand	34	Heipha Dr. Müller GmbH, Germany
12	Merck Pte Ltd, Singapore	35	EMD Performance Materials Corporation, USA
13	Merck spol. s.r.o, Czech Republic	36	Ares Trading Uruguay S.A., Uruguay
14	Merck SA, Brazil	37	Merck Serono (Beijing) Pharmaceutical R&D Co., Ltd, China
15	Merck Sdn Bhd, Malaysia	38	Merck Performance Materials Private Limited, India
16	Merck Selbstmedikation GmbH, Germany	39	Merck Accounting Solutions & Services Europe GmbH
17	Merck Serono Co., Limited, Japan	40	Merck Business Solutions Asia Inc., Philippines
18	Merck Ltd., South Korea	41	Merck Pty. Ltd., Australia
19	Merck (Pty) Ltd., South Africa	42	Merck Sdn Bhd, Malaysia
20	Merck Pharmaceutical (HK) Ltd, Hongkong	43	Merck Serono Australia Pty. Ltd., Australia
21	Sigma Aldrich India Private Limited, India	44	Merck Vietnam Ltd, Vietnam
22	Merck Performance Materials Ltd., South Korea	45	Sigma-Aldrich Pte. Ltd., Singapore
23	Sigma-Aldrich Pty. Ltd., Australia	46	Merck Pharmaceuticals Manufacturing (Jiangsu) Co., Ltd, China

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

(ii) Post Employment Benefit Plan:

Merck Provident Fund Trust, India

(iii) Key Management Personnel of the Company:

S. No.	Name	Designation
1	Mr. Suresh Talwar	Chairman
2	Mrs. Rani Ajit Jadhav	Independent Director
3	Mr. Milind Thatte	Managing Director
4	Mr. Amit Gupta	Executive Director
5	Mr. Aalok Agarwal	Executive Director, Appointed w.e.f. June 1, 2019
6	Mr. Sujay Wasan	Executive Director, Appointed w.e.f. July 1, 2019
7	Mr. N. Krishnan	Executive Director, (Resigned w.e.f. December 1, 2018)
8	Mr. Anand Nambiar	Managing Director, (Resigned w.e.f. March 31, 2018)
9	Mr. H.C.H. Bhabha	Independent Director, (Resigned w.e.f. November 28, 2018)
10	Mrs. Zoe Tang	Nominee Director, (Resigned w.e.f. December 1, 2018)

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	18 month ended 30 June 2020	Ultimate Holding & Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel	Post Employment Benefit Plan
1	Purchase of Goods	2020	----	1 753	----	----
		2018	14 795	6 102	----	----
2	Purchase of Equipment/Assets/ Spares	2020	----	112	----	----
		2018	----	19	----	----
3	Sale of Products	2020	----	4 816	----	----
		2018	1 163	7 153	----	----
4	Expenses cross-charged	2020	----	1 123	----	----
		2018	----	----	----	----
5	Services rendered	2020	1 824	513	----	----
		2018	187	3 157	----	----
6	Reimbursement of expenses	2020	----	14	----	----
		2018	550	1 191	----	----
7	Services received	2020	----	----	----	----
		2018	2 144	338	----	----
8	Business Process Outsourcing expenses	2020	----	122	----	----
		2018	----	----	----	----
9	Royalty	2020	1 752	976	----	----
		2018	----	1 938	----	----
10	Consideration on sale of business**	2020	----	----	----	----
		2018	----	1 05 200	----	----
11	Dividend Paid	2020	37 845	----	----	----
		2018	----	1 290	----	----

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

₹ in lakhs

S. No.	Nature of Transactions	18 month ended 30 June 2020	Ultimate Holding & Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel	Post Employment Benefit Plan
12	Contribution to provident fund	2020	----	----	----	1 278
		2018	----	----	----	1 245
13	Computer expenses	2020	----	1 924	----	----
		2018	----	----	----	----
14	Managerial Remuneration #	2020	----	----	470	----
		2018	----	----	682	----
15	Director's sitting fees and Commission	2020	----	----	42	----
		2018	----	----	42	----

₹ in lakhs

S. No.	Nature of Transactions	As at 30 th June 2020	Ultimate Holding & Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel	Post Employment Benefit Plan
Outstanding as at period/ year end						
16	Trade and other receivables	2020	81	498	----	----
		2018	----	1 261	----	----
17	Payables	2020	1 561	2 555	42	----
		2018	----	730	42	----

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 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.

Remuneration does not include charge for gratuity, compensated absences and share based payments, as employee-wise break-up is not available.

- (d) **Out of the above items, transactions in excess of 10% of the total related party transactions are as under:**

₹ in lakhs

S. No.	Nature of Transactions	18 months ended June 30, 2020	Year ended December 31, 2018
1	Purchase of Goods		
	Merck KGaA, Germany	----	14 795
	Merck Performance Materials Ltd, Japan	----	2 817
	P&G Health Germany GmbH (formerly Merck Selbstmedikation GmbH, Germany)	1 540	1 603
	Procter & Gamble International Operations SA Singapore Branch	213	----

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

₹ in lakhs

S. No.	Nature of Transactions	18 months ended June 30, 2020	Year ended December 31, 2018
2	Purchase of Equipment/Assets/Spares		
	Procter & Gamble Hygiene & Health Care Limited	112	----
	Merck Life Science Private Limited, India	----	19
3	Sale of Products		
	P&G Health Austria GmbH & Co. OG(Formerly Merck KGaA & Co. Werk Spittal, Austria)	4 816	3 534
	Merck KGaA, Germany	----	1 163
	Merck Limited, Thailand	----	506
	EMD Performance Materials Corporation, USA	----	976
	Merck Serono Middle East FZE LLC	----	1 823
4	Expenses cross-charged		
	Procter & Gamble Hygiene and Health Care Limited	155	----
	Procter & Gamble Home Products Pvt. Ltd	732	----
	Gillette India Limited	66	----
	P&G Health Germany GmbH (formerly Merck Selbstmedikation GmbH, Germany)	170	----
5	Service rendered		
	Merck Specialities Private Limited, India	----	1 696
	Merck Life Science Private Limited, India	----	1 461
	The Procter & Gamble Company	1 824	----
	P&G Health Germany GmbH (formerly Merck Selbstmedikation GmbH, Germany)	513	884
6	Reimbursement of expense		
	Merck KGaA, Germany	----	550
	Merck Life Science Private Limited, India	----	98
	Procter & Gamble Home Products Pvt Ltd	14	----
7	Service received		
	Merck KGaA, Germany	----	2 144
8	Business Process Outsourcing expenses		
	Procter & Gamble International Operations SA-ROHQ	122	----
9	Royalty		
	The Procter & Gamble Company	1 752	----
	Procter & Gamble Health, Germany [Previously known as Merck Selbstmedikation GmbH]	976	----
	Merck KGaA, Germany	----	1 938
10	Consideration on sale of business		
	Merck Specialities Private Limited, India	----	67 815
	Merck Life Sciences Private Limited, India	----	29 301
	Merck Performance Materials Private Limited, India	----	8 084
11	Dividend Paid		
	The Procter & Gamble Company, USA	37 845	----
	Emedia Export Company mbh, Germany	----	530
	Merck Internationale Beteiligungen GmbH, Germany	----	464
	Chemitra GmbH, Germany	----	296

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

₹ in lakhs

S. No.	Nature of Transactions	18 months ended June 30, 2020	Year ended December 31, 2018
12	Contribution to provident fund		
	Merck Provident Fund Trust, India	1 278	1 245
13	Computer Expenses		
	The Procter & Gamble US Business Services Company	1 924	----
14	Managerial Remuneration		
	Mr. Anand Nambiar (Managing Director) Resigned w.e.f. March 31, 2018	----	376
	Mr. Milind Thatte (Managing Director) Appointed w.e.f. April 01, 2018	257	155
	Mr. Amit Gupta (Executive Director) Appointed w.e.f. December 10, 2018	213	10
	Mr. N. Krishnan (Executive Director) Resigned w.e.f. December 1, 2018	----	141
15	Director's sitting fees and Commission		
	Mr. H.C.H Bhabha	----	13
	Mr. S. N. Talwar	25	17
	Mrs. Rani A. Jadhav	17	12

S. No.	Nature of Transactions - Balance sheet	As at June 30, 2020	As at December 31, 2018
16	Balance payables		
	P&G Health Germany Gmbh (formerly Merck Selbstmedikation GmbH, Germany)	----	730
	Procter & Gamble International Operations SA Singapore Branch	213	----
	Procter & Gamble Hygiene and Health Care Ltd	285	----
	The Procter & Gamble US Business Services Company	1 653	----
	Procter & Gamble Home Products Pvt Ltd	257	----
	Procter & Gamble International Operations SA-ROHQ	130	----
	Gillette India Limited	17	----
	The Procter & Gamble Company	1 561	----
	Mr. H.C.H Bhabha	----	13
	Mr. S. N. Talwar	25	17
	Mrs. Rani A. Jadhav	17	12
17	Balance receivable		
	P&G Health Germany Gmbh (formerly Merck Selbstmedikation GmbH, Germany)	----	756
	P&G Health Austria GmbH & Co. OG(Formerly Merck KGaA & Co. Werk Spittal, Austria)	498	505
	The Procter & Gamble Company	81	----

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

37 Operating lease arrangements

37.1 Company as a lessee

37.1.1 Leasing arrangements

The Company has entered into cancellable/ non-cancellable operating lease agreements for vehicles and office premises/godowns. The lease charges of ₹ 44 lakhs (2018: ₹ 108 lakhs) and ₹ 1097 lakhs (2018: ₹ 1035 lakhs) for vehicles and office premises/ godowns respectively have been included under the sub-head Travelling, Conveyance and Vehicle Expenses and Rent respectively under the head "Operating and other expenses" in the Statement of Profit and Loss. The aforesaid amounts are in respect of both continuing and discontinued operations. There are no subleases.

37.1.2 Non-cancellable operating lease commitments

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Not later than one year	513	529
Later than one year but not later than five years	809	1 590
Later than five years	----	----
Total	1 322	2 119

37.2 Company as a lessor

37.2.1 Leasing arrangements

The Company has leased out certain office premises which have been classified as investment property. The lease term is 60 months with non cancellable period of 36 months. There is escalation clause in the lease agreement. The carrying amount of property given on operating lease and depreciation thereon for the period are:

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Gross carrying amount	521	521
Accumulated depreciation	191	139
Net carrying amount	330	382
Depreciation for the period	52	18

37.2.2 Non-cancellable operating lease receivables

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Within one year	171	210
After one year but not more than five years	----	276
More than five years	----	----
Total	171	486

During the year, an amount of ₹ 325 lakhs (2018: ₹ 90 lakhs) has been recognized as rental income and has been included in Other income under the head "Miscellaneous income" in the Statement of Profit and Loss.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

38 Commitments

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
Estimated amount of contracts remaining to be executed on capital account and not provided for [net of capital advance ₹ 26 lakhs (31 December 2018: ₹ 98 lakhs)]	144	830
	144	830

39 Contingent liabilities

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
a) Claims against company not acknowledged as debts		
Income tax matters	10 387	9 846
Sales tax matters	3 250	2 422
Excise duty, service tax and custom duty matters	2 241	2 362
	15 878	14 630

- b) In June 2016, National Pharmaceutical Pricing Authority (NPPA) served a demand notice on the Company alleging that during the period from January 2006 to June 2009 the Company sold Polybion 100ml syrup at a price higher than the ceiling price fixed by it on 05 June 2008. Pursuant to orders passed by Kolkata High Court, NPPA gave another opportunity of hearing to the Company. NPPA did not accede to any of the Company's contention and issued a fresh demand notice dated 13 December 2016 demanding a sum of ₹ 2922 lakhs (₹ 1168 lakhs on account of overcharge during the said period and ₹ 1754 lakhs for interest thereon) for sales made by the Company during the period May 2006 to June 2009. The Company has challenged the said demand by way of writ petition, which is pending before Hon'ble Delhi High Court. In a separate proceedings filed by the manufacturer of the said drug, Cradel Pharmaceutical Private Limited, Hon'ble Kolkata High Court stayed the demand provided it deposits a sum of ₹ 225 lakhs with the NPPA. The Company has been legally advised that the Company has a defensible case before Delhi High Court. The Company has made provision of ₹ 580 lakhs during the period.
- c) During the year 2014, the Company had made a provision of ₹ 699 lakhs towards a possible liability which may accrue to the Company due to a judgment passed by the Supreme Court in the year 2014 impacting the Pharmaceutical industry in India including the Company. The provision of ₹ 108 lakhs was transferred as a part of BPL Business transferred to Merck Life Science Private Limited. The Company holds provision of ₹ 591 lakhs in its books towards possible liability.
- d) National Pharmaceutical Pricing Authority (NPPA) issued the price fixation orders for about 350 drugs on 21 June 2013 including Metformin, a formulation used by the Company in Company's product Carbophage 500 SR. The orders did not clarify whether the prices so fixed are applicable only for plain tablet or innovative dosages as well. The Company sought clarification from NPPA, however, no clear response has been received. Pending this clarification NPPA had sent a notice dated June 06, 2014, claiming the differential pricing charged by the Company for Carbophage 500 SR over the prices notified. On the basis of a recent judgement passed by the High Court of Bombay, the Company made a provision of ₹ 320 lakhs towards a possible liability which may accrue to the Company. Since Carbophage was part of the BPL business transferred to Merck Life Science Private Limited, the underlying provision was transferred out. Further, NPPA has also issued a demand order dated May 10, 2017 of ₹ 52 lakhs to the Company under the provisions of Drug Prices (Control) Order, 2013 ("DPCO") for overcharging in respect of Concor 5 mg Tablets (containing the bulk drug Bisoprolol 5 mg) with interest thereon @15% on the said amount.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

The Company has challenged both the above matters by writ petition which are pending adjudication in the Bombay High Court. In the view of the management, future course of action in relation to both these matters, including any liabilities thereof will be managed directly by Merck Life Science Private Limited. Managements of the Company and Merck Life Science Private Limited are aligning this understanding basis business transfer agreements and hence, these matters are disclosed as contingent liabilities.

40 Discontinued Operations

a) Description

During the previous year, the Board of Directors vide their resolution dated 27 April 2018 and the shareholders vide their resolution dated June 12, 2018, have approved the execution of a business transfer agreement (BTA) with Merck Life Science Private Limited (MLSPL) to sell, lease or otherwise transfer certain businesses of the Company comprising exclusively of the biopharma, performance materials and life science segments (“BPL business”) to MLSPL (or to an affiliate of MLSPL, as directed by MLSPL), for an overall consideration of ₹ 105,200 lakhs on a slump sale basis (the Business Transfer). After receiving the necessary approvals, the Business Transfer has been completed on November 30, 2018.

The Company has received the consideration as stated above and the resulting gain on Business Transfer of ₹ 91,357 lakhs has been included under Profit before tax from discontinued operations.

Financial information related to discontinuing operation for the period ended to the date of disposal is set out below:

b) Financial Performance and cash flow information

The financial performance and cash flow information presented are for the 11 months ended 30th November 2018.

Particulars	For the year ended 31 December 2018 ₹ in lakhs
Revenue from operations	43 909
Expenses	37 308
Profit before income tax	6 601
Income tax expenses	2 297
Profit after income tax	4 304
Gain on the sale of discontinued business (after income tax)	69 394
Profit from discontinued operation*	73 698
Net cash inflow from operating activities	4 304
Net cash inflow from investing activities (31 December 2018 includes inflow of ₹ 105,200 lakhs from the sale of BPL business)	1 05 200
Net cash from financing activities	----
Net increase in cash generated from discontinued operations	1 09 504

* The entire amount is attributable to shareholders of the Company.

c) Details of the sale of BPL Business

Particulars	For the year ended 31 December 2018 ₹ in lakhs
Consideration received	1 05 200
Carrying amount of net assets transferred	13 843
Gain on transfer of BPL Business before income tax	91 357
Income tax on capital gain	21 964
Gain on transfer after income tax	69 394

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

The carrying amount of assets and liabilities as at the date of transfer (30 November 2018) were as follows:

	As at 30 November 2018 ₹ in lakhs
Property, plant and equipment	1 272
Trade receivables	8 721
Inventories	7 240
Other current assets	1 203
Total assets	18 436
Trade payables	1 884
Other current liabilities	2 709
Total liabilities	4 593
Net assets	13 843

In line with requirements of Ind AS 105 “ Non-current Assets Held for Sale and Discontinued Operations”, the results of operations of BPL business have been disclosed under discontinued operations for all the periods presented and the assets and liabilities of BPL business as on December 31, 2018 have not been reclassified as assets held for sale.

41 Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006

	As at June 30, 2020 ₹ in lakhs	As at December 31, 2018 ₹ in lakhs
(a) Principal amount remaining unpaid to any supplier as at the end of the accounting period/year	699	229
(b) Interest due thereon remaining unpaid to any supplier as at the end of the accounting period/year	1	5
(c) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day		
Principal paid beyond the appointed date	16 268	406
Interest paid in terms of Section 16 of the Act	----	----
(d) The amount of interest due and payable for the period/year	1	----
(e) The amount of interest accrued and remaining unpaid at the end of the accounting period/year	6	5
(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	----	----

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.

42 Disclosure relating to provisions

Personnel and other related provision

The Company has made provisions for performance-based incentives.

Provisions in respect of sales tax matters

The Company has made provisions for various sales tax / value added tax related matters, which will be settled on completion of the respective assessments.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2019 TO 30 JUNE 2020

Other provisions

The Company has also made provisions for matters related to National Pharmaceutical Pricing Authority (NPPA).

Summary of the movement in the provisions is given below:

Particulars	₹ in lakhs				
	Opening balance	Additions during the year	Utilizations	Reversals/ Transfer pertaining to BPL Business	Closing balance
Personnel provision *	357	-	-	14	343
	(-)	(514)	(157)	(-)	(357)
Provisions in respect of sales tax matters *	874	190	-	-	1064
	(757)	(166)	(49)	(-)	(874)
Other provision*	590	581	-	-	1171
	(1019)	(-)	(-)	(429)	(590)

* Figures in " (-) " represent balance as on 31 December 2018.

43 Transfer pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. The Company's transactions with related parties are at arm's length as per the independent accountants report for the year ended 31 March 2019. Management believes that the Company's transactions with related parties post March 2019 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

44 Exceptional items for the previous year ended at December 31, 2018 comprise of profit from the sale of office premises located at Mumbai which was held for sale.

45 There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.

46 Figures for the previous year have been re-grouped/re-arranged wherever necessary to conform current period's classification.

47 Approval of financial statements

The financial statements were approved for issue by the board of directors on September 15, 2020.

Signatures to Notes 1 to 47

As per our attached report of even date.

For and on behalf of Board of Directors

For **HARIBHAKTI & Co. LLP**
Chartered Accountants
Firm Regn. No.: 103523W/W100048

S.N Talwar
Chairman
DIN No.00001456

Milind Thatte
Managing Director
DIN No. 08092990

Hemant J. Bhatt
Partner
M. No.: 036834

Amit Gupta
Chief financial officer
DIN No. 08295179

Preeti Bishnoi
Company Secretary

Place: Mumbai
Date: September 15, 2020

TEN YEAR FINANCIAL HIGHLIGHTS

	IGAAP							IND AS			
	2009	2010	2011	2012	2013	2014	2015	2016 [^]	2017 [^]	2018 [^]	2019-20 [^]
YEAR END FINANCIAL POSITION (₹ Crores)											
Net Fixed Assets	64.03	51.24	71.94	76.90	94.06	137.34	138.73	140.64	123.97	117.11	122.67
Net Worth	467.29	346.42	410.08	483.66	523.03	554.30	591.55	663.82	733.26	1,540.11	906.34
SUMMARY OF OPERATIONS (₹ Crores)											
Revenue from operations	473.11	509.08	557.57	658.07	772.96	832.45	908.32	1,001.77	711.47	848.99	1,355.86
Profit Before Taxation and exceptional items	96.45	95.71	95.59	116.79	88.25	66.56	83.33	115.17	81.92	151.41	354.85
Exceptional items	-	-	-	-	-	-	-	-	17.00	6.57	-
Profit Before Taxation after exceptional items	-	-	-	-	-	-	-	-	98.92	157.98	354.85
Provision for Taxation	30.97	32.53	31.91	38.39	32.37	23.34	29.77	36.04	37.88	56.24	100.77
Profit after taxation from continued operations%	-	-	-	-	-	-	-	-	61.04	101.74	254.08
Profit before tax from discontinued operations%	-	-	-	-	-	-	-	-	53.27	979.59	-
Tax expense of discontinued operations	-	-	-	-	-	-	-	-	20.40	242.61	-
Profit after taxation from discontinued operations	-	-	-	-	-	-	-	-	32.87	736.98	-
Profit after taxation	65.48	63.18	63.68	78.40	55.88	43.22	53.56	79.13	93.91	838.72	254.08
Dividend	20.00	95.00	-	2.50	8.50	6.00	7.50	11.00	15.00	440.00	230.00
PER SHARE DATA											
Earnings per share continued operations	-	-	-	-	-	-	-	-	36.77	61.29	153.00
Earnings per share discontinued operations %	-	-	-	-	-	-	-	-	19.80	443.98	-
Earning per share total	39.00	38.10	38.40	47.20	33.70	26.00	32.30	47.70	56.57	505.27	153.00
Dividend (%)	200%	950%	-	25%	85%	60%	75%	110%	150%	4400%	2300%
NUMBER OF SHARES											
Shares (Lakhs)	165.99	165.99	165.99	165.99	165.99	165.99	165.99	165.99	165.99	165.99	165.99

Note :

[^] 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.

Profit and Loss account summary figures for the year 2017, 2018 and 2019-20 pertain to continued operations, viz, Consumer health business.

The figures for year 2019-20 are for 18 months.

The dividend for year 2019-20 is subject to approval by the shareholders at Annual General meeting.

OUR PURPOSE, Values & Principles

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.

CONSUMERS

P & G BRANDS

P & G PEOPLE

VALUES

Integrity

Leadership

Ownership

Passion for winning

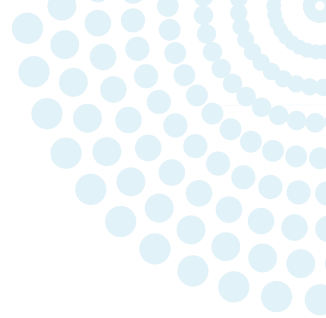
Trust

- 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.

P&G Brands and P&G People are the foundation for P&G's success.

P&G People bring the values to life as we focus on improving the lives of the world's consumers





Procter & Gamble Health Limited

(Formerly known as Merck Limited)

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