Procter & Gamble Hygiene and Health Care Limited

Annual Report
2010-2011

BOARD OF DIRECTORS

Mr. R. A. Shah
Chairman

Mr. S. Khosla
Managing Director

Mr. B. S. Mehta

Mr. D. Acharya

Ms. D. A. Henretta
(Alternate Mr. P. Agarwal)

Mr. A. Vyas
(Company Secretary)

CONTENTS

Dear Shareholders,

I am pleased to share with you the business results delivered by your Company in the Fiscal Year 2010-11, that stand as a continued testimony to your Company's purpose-driven growth strategy and its commitment to touch and improve the lives of consumers in more parts of India, more completely. These results stand within the context of a robust Indian economy with a growing Consumer goods category which is also becoming increasingly competitive.

The Fiscal Year 2010-11 was another good year for your Company, with growth in topline, a healthy margin and cash position. The Company continues to be a market leader and a front-runner in innovation. I take great pride to announce that your Company achieved robust sales at ₹ 1,037 crores higher by 14% versus sales in the previous Financial Year. This growth was seen across both the Health Care and the Feminine Hygiene categories, with *Vicks* and *Whisper* delivering accelerated sales momentum and grew market share. This has enabled the Board of Directors to recommend a dividend of ₹ 22.50 per share for all the stakeholders this Financial Year.

Your Company has made investments towards brand building initiatives that enable our products to reach more consumers across economic segments. These strategic investments to drive sales growth and trial for our Brands are in line with our purpose-inspired growth strategy to drive long-term value for the Company, stakeholders and consumers. While these initiatives stand to impact earnings for the Company in the short term, we believe it will create long term value by expanding the categories in which we operate.

The HealthCare business further strengthened *Vicks* equity as one of the most trusted Brand in India by investing in innovative marketing initiatives like the '*Vicks* Cricket Jockey Hunt', leveraging consumer-relevant touch-points like radio and wall-painting as well as proven advertising copies. The Feminine Care business also continued to drive its purpose of empowering women with better health and hygiene, by focusing on busting the barriers of affordability and awareness towards adoption of sanitary napkins. Your Company's *Whisper* school program reached a total 2.5 million menstruating girls across both private and government schools. *Whisper* also brought its purpose to life this year, by expanding its portfolio with the launch of *Choice Ultra*. This product truly improves the lives of the middle income consumers, by allowing her the enhanced experience of top-tier product within the mid-tier price range.

As a Company, we continue to remain committed to our purpose of touching and improving the lives of consumers, in more parts of India and more completely. Inspired by this purpose, our signature social responsibility program in India – *Shiksha* – has taken nearly double its impact to reach 280,000 children and support over 140 schools in its 7th year since inception. This Financial Year was marked by heightened support from our consumers as well as partners such as NGOs, retailers, media and other stakeholders - thus enabling us to further the cause of building schools brick-by-brick. Our efforts towards environmental sustainability were also strengthened, with our Baddi plant reducing its environmental footprint further by effectively reducing CO_2 emissions, energy & water consumption as well as waste disposal. The Plant is also now a Zero Discharge Plant, with 100% of its waste being treated on site and also uses 100% hydro-electric power.

I wish to re-affirm our commitment to innovation and purpose-inspired growth, which will continue to be at the heart of everything we do – be it in our products or in our communication strategies. I would also like to attribute our success over the past year to our employees who have demonstrated their ability to embrace change and proactively influence the course of our businesses. Lastly, I would like to thank all the shareholders for their resolute trust in the Company and look forward to their continued support and participation in the growth of the Company.

Mumbai
August 25, 2011

R. A. Shah
Chairman

REPORT OF THE DIRECTORS

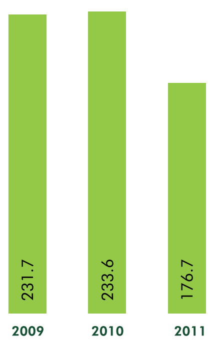
Your Directors have the pleasure of presenting the 47th Annual Report and the Audited Accounts of the Company for the Financial Year ended June 30, 2011.

FINANCIAL RESULTS

(Figures in ₹ crores)

	2010/11	2009/10
Sales including Excise	1037	914
Net Sales (less excise duty)	1000	903
Profit before tax	177	234
Profit after tax	151	180
Proposed Dividend plus tax thereon	85	85
Transfer to General Reserve	15	18
Balance carried forward	329	278

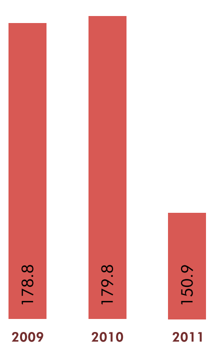
Profit Before Tax (₹Crores)



BUSINESS ENVIRONMENT

The Indian economy is emerging with remarkable rapidity from the slowdown caused by the global financial crisis of 2007-09. India is one of the fastest growing markets in the World. India ranks first in the Nielsen Global Consumer Confidence Survey released in January 2011. Rural India mostly termed as "high opportunity" market is no longer just an opportunity, but is now yielding results.

Profit After Tax (₹Crores)



Backed by a rise in the domestic savings and investment rates, a revival of growth in agriculture and resilience in the manufacturing and services sector, India has displayed a great recovery post the global slowdown. However, persistent inflationary environment remains a big challenge. The rise in demand coupled with strong supply bottlenecks is a catalyst for inflation. With rising inflation the focus has inevitably shifted to fiscal deficit. Ineffective distribution, hoarding, misuse of subsidies etc. are actually plaquing the system. However, measures like containing wastage of subsidies, ensuring greater monitoring and eliminating price fixing cartels, improvements in the infrastructure for storage and distribution and possible introduction of multi brand retail through relaxation of FDI norms in this sector will help combat inflation to a great extent.

BUSINESS PERFORMANCE

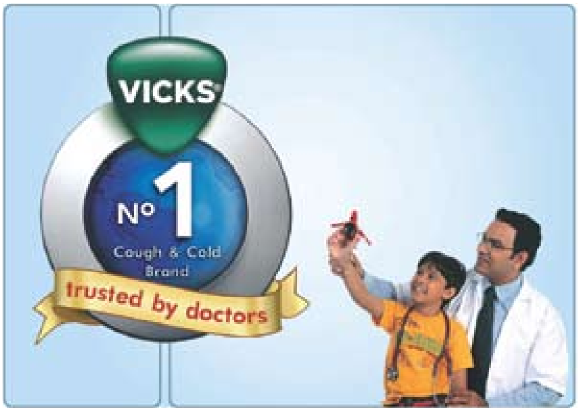
Your Company delivered strong business results during the Financial Year under review. The sales at ₹1037 crores are higher by 14% versus sales of ₹914 crores in the previous Financial Year. The Healthcare business has shown sales growth of over 9% behind increased sales of *Vicks* VapoRub, *Vicks* Inhaler and *Vicks* Cough drops. Similarly, the Feminine Hygiene business also continues to grow in higher double digits with the various variants of *Whisper* Sanitary Napkins showing a healthy growth. *Whisper* has in fact increased its market share to its all time national high with growth across all major Brand forms. Overall, the Company continued to focus on driving consumer meaningful innovations backed by distribution expansion and strong advertising support thereby recording a valuable growth across all areas of business.

While the sales have grown by 14%, the Profit Before Tax (PBT) and the Profit After Tax (PAT) have decreased versus previous Financial Year but we still maintain a healthy margin. This is primarily due to increased investments in marketing initiatives, higher commodity prices and impact of higher excise duty for nine months. However the Company still maintains a healthy 15% After Tax margin, that will enable us to invest in category growth and defend increased competition.

Healthcare Business

Healthcare business at ₹414 crores (vs. previous Financial Year's ₹381 crores) posted a growth of 9% this Financial Year across *Vicks* VapoRub, *Vicks* Cough Drops, *Vicks* Action 500 and *Vicks* Inhaler thereby consolidating the market leadership in its respective categories. This was driven by focused spending on key business drivers and increased spending on proven equity building advertising.

The *Vicks* Cough Drops business had an excellent Year, with the brand growing at 18%. The growth was driven by increased investment on proven advertising and driving awareness of flavors by using other relevant touch points for the Brand like radio and wall-painting, which increased consumption further. Given the passion for cricket among its consumers, the Brand also executed a first ever cricket focused program with the launch of '*Vicks* Cricket Jockey Hunt' spread over 16 top cities in the Country.



Vicks Inhaler shipments grew impressively driven by increased demand in the category and improved supply.

Vicks VapoRub had a continued strong volume growth driven by continued focus on the successful *'blanket of warmth'* advertising via augmented media spend and on our ongoing strategy of upsizing consumers to drive consumption.

Vicks Action-500 faced aggressive competitive challenge from generics during the Financial Year. During the second half of the Financial Year, your Company invested in superior advertising support for the product. This helped to recover demand for the product, with exit market share higher compared to previous Financial Year. We will however continue promoting the benefits of the product and expanding its distribution to ensure a good growth of *Vicks* Action 500 in the Financial Year ahead.

Vicks will continue to innovate to ensure it stays the most trusted cough and cold care Brand in India.

Feminine Hygiene Business

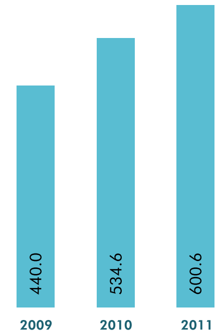
Feminine Hygiene business recorded yet another Year of high growth, with sales at ₹623 crores (vs. previous Financial Year's ₹532 crores) translating to a growth of over 17%. *Whisper* has increased its market share with growth across all major Brand forms. *Whisper Choice* reached its all time high share overtaking competition to become the largest mid tier Brand form. This growth is driven, both, by increase in penetration among non-users and consumption among users.

During the Financial Year under review, a number of initiatives were designed to win with the consumers' needs across segment.

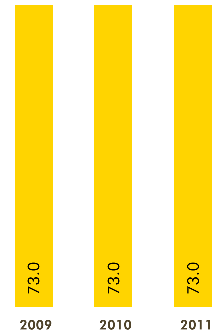
The top tier consumers were delighted by the "10X Clean/Dry Protection" and the addition of scent to the pad promised by top tier *Whisper Ultra*. In order to reach more consumers with our product offering, by addressing their biggest barrier of affordability, *Whisper Choice* was priced down. The price down was supported by new communication above the line which increased awareness and massive distribution drives to ensure availability. As a result, *Whisper Choice* has become the largest distributed Brand form in the market.

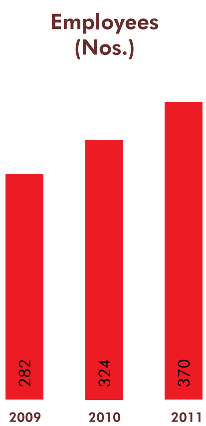
Your Company continued its disproportionate focus on the *Point of Market Entry* consumer. The *Whisper* school program reached a total of 2.5 million menstruating girls across private and government schools. At the same time, by constantly innovating to meet the consumers' needs, *Whisper* ensured that the top-tier Brand was sampled in the more urban schools, and the more economical mid-tier *Choice Ultra* in the upcountry schools. As opposed to *Whisper Choice* last Financial Year, the better product in the mid tier line up – *Choice Ultra* was sampled free to government school consumers. Not only did the program reach out to more potential consumers, but it also increased its depth by reaching out to lower class towns.

Networth
(₹Crores)



Outflow of Dividend
(₹Crores)





DIVIDEND

Your Directors are pleased to recommend a dividend of ₹22.50 for each Equity Share of ₹10 each for the Financial Year ended June 30, 2011.

CORPORATE SOCIAL RESPONSIBILITY

***Shiksha:* पढ़ेगा इंडिया तो बढ़ेगा इंडिया**

P&G's focus on purpose-inspired growth drives us to not only serve our consumers with superior product propositions, but also truly touch and improve the lives of more consumers, more completely by contributing towards the communities we operate in. This commitment is the purpose behind our Corporate Social Responsibility initiatives '*Shiksha*' and the '*Whisper School Program*,' that help children from lesser-privileged background access their right to health and education.

P&G's flagship Corporate Social Responsibility Program '*Shiksha*' is an integral part of our global philanthropy program – Live, Learn & Thrive, which currently reaches out to over 50 million children annually. Now in its 7th year, *Shiksha* enabled over 280,000 lesser-privileged children with access to good quality education by supporting sustainable and critical assets of schools. By the end of Fiscal Year 2011, *Shiksha* will be supporting over 140 schools by interventions such as reactivating defunct government schools, building new schools or enhancing education infrastructure at existing schools. Since its inception in 2005, *Shiksha* has made a cumulative donation of over ₹22 crores towards helping children on the path to better education. This is a result of the support from our consumers who participated in the *Shiksha* movement by buying P&G brands in the months of April, May and June 2011 and enabling P&G to contribute a part of the sales towards the cause. During the Financial Year ended June 30, 2011 alone, P&G India closed *Shiksha* with the largest-ever contribution of ₹5.6 crores in association with its partner NGOs, namely Save the Children India, Child Rights & You (CRY), Army Wives Welfare Association (AWWA), Round Table India (RTI), amongst others. Each of *Shiksha's* NGO partners focuses on a critical approach towards education, with NGO Round Table India specializing in building educational infrastructure and supporting schools across India, NGO Save the Children laying emphasis on the girl child via supporting the government's Kasturba Gandhi Balika Vidhyalayas and the NGOs AWWA and NWWA serving the unique educational needs of differently-abled children of Naval and Army Officers' families. These activities together help *Shiksha* further its motto '**पढ़ेगा इंडिया तो बढ़ेगा इंडिया**', and help us touch and improve the lives of our consumers.

Students at the Shiksha supported Sankalp School in Mumbai for differently-abled children of Naval families, run by the Navy Wives Welfare Association (NWWA)

Our *Whisper School Program* is now two decades old and it has protected millions of adolescent girls in India from getting trapped in traditional practices of using unhygienic cloth for sanitary protection. Through a sustained outreach program in private and government schools across the Country, P&G has been educating over 5 million adolescent girls in good Feminine Hygiene.

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is embedded in our *Purpose, Values, Principles,* and our business. In order to improve lives, now and for generations to come, we ensure that our products, packaging and operations are safe for employees, consumers and the environment. We ensure this with a focus on technologies, processes and improvements that matter for the environment. The manufacturing technologies we use are low emission and generate almost 60% less emission than the local norms. We are committed to achieving the P&G global 2012 goal of 20% reduction of our footprints. Compliance is an integral part of our business strategy - All our products and formulations comply with Global and Indian regulatory requirements.

We aim at reducing waste at every step of the supply chain, with a robust system that targets zero waste, including product shelf life. We seek to develop Sustainable Products, with an improved environmental profile.

Morever, ensure environmental friendly practices at our sites: These include reduction in power consumption, optimal water consumption and eliminating excess use of paper by increasing the use of scanning. A good example is the hydro-electric energy being used at our Plant in Baddi with efforts underway for extending this to other sites.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) that in the preparation of the Annual Accounts for the Financial Year ended June 30, 2011, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

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

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

(iv) that the Directors had prepared the accounts for the Financial Year ended June 30, 2011, on a "going concern" basis.

CORPORATE GOVERNANCE

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

MANAGEMENT & PERSONNEL

The growth over the past few years demonstrates the core strengths of our employees to stay reality-based, embrace change and proactively influence the course of business. The Directors are confident that employees are up to the challenge and thank them for their continued trust and support.

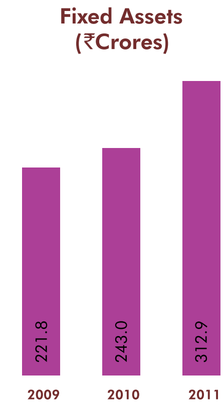
The information as per Section 217(2A) of the Companies Act, 1956 ('Act'), read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members of the Company excluding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

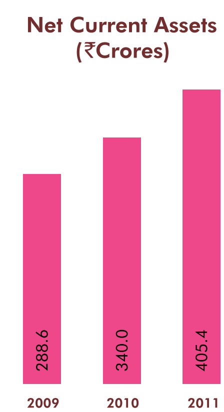
DIRECTORS

Mr. Bansi S. Mehta, Director, retires by rotation and, being eligible, offers himself for re-appointment. The Directors recommend his re-appointment. Mr. Bansi S. Mehta needs no introduction to the Members. Mr. Mehta is a graduate in commerce and a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is an accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. Mr. Mehta is a Director on the Boards of several prominent Companies.

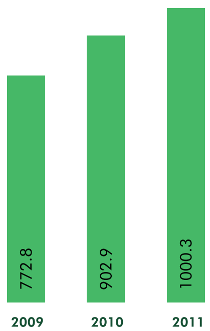
AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, Chartered Accountants (Registration No. 117366W) retire and offer themselves for re-appointment.

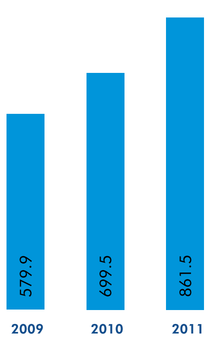




Net Sales
(₹Crores)



Total Expenditure
(₹Crores)



COST AUDITORS

Your Company has re-appointed M/s. Ashwin Solanki & Associates, Cost Accountants, to conduct the cost audit of drug formulations for the Financial Year ended June 30, 2012. The Company has received necessary Central Government approval for the re-appointment of the Cost Auditor.

CONSERVATION OF ENERGY ETC. INFORMATION

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

TRADE RELATIONS

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Mumbai **R. A. Shah**
August 25, 2011 ***Chairman***

ANNEXURE TO THE REPORT OF THE DIRECTORS

A. Power & Fuel Consumption		
	2010-11	2009-10
1. Electricity		
(a) Purchased:		
Units (KWH)	**84 27 060**	64 40 130
Total Amount (₹)	**3 30 44 214**	2 59 27 285
Rate/Unit (₹)	**4.00**	4.03
(b) Own Generation:		
(i) Through Diesel Generator		
Unit (KWH)	**3 87 030**	13 14 685
Unit Per lts. of Diesel Oil	**3.06**	2.50
Cost/Unit (₹)	**12.75**	14.42
(ii) Through Steam Turbine/Generator	**N.A.**	N.A.
2. Coal (Specify Quality and where used)		
3. Furnace Oil	**N.A.**	N.A.
4. Others/Internal Generation	**N.A.**	N.A.

B. Consumption per unit of Production		
		KWH/Tonnes
	2010-11	2009-10
Other Products	**546**	583

Note:

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

I. RESEARCH & DEVELOPMENT:

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

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

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

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

3. Future Plan of Action:

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

4. Expenditure on R&D:

₹ Lakhs

		2010-11	2009-10
(a)	Capital	**—**	—
(b)	Recurring	**4.93**	41.70
(c)	Total	**4.93**	41.70
(d)	Total R&D expenditure as a percentage of total turnover	**—**	0.05

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adaption and innovation: Continued implementation of QC/QA procedures of natural products; New products and processes were successfully adapted on commercial scale to utilize local raw materials and machinery; Technical Services for reliability, quality, cost savings and technology transfer from overseas.

2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. All the above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products and import substitution and successful absorption of technology.

3. Imported Technology: The Company has the advantage of availing advanced technology and continuous upgradation thereof from The Procter & Gamble Company, USA and its subsidiaries. This is an unmatched competitive advantage that helps the Company deliver strong business results.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

The particulars of foreign exchange earned/ utilized during the Financial Year are given in Note No. 5(j) & 5(h) respectively of Part B of Schedule 17 forming part of the Financial Statements.

For and on behalf of the Board

Mumbai
August 25, 2011

R. A. Shah
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Economic Scenario and impact of Union Budget 2011

The Economic Survey 2010-11 presented by the Hon'ble Finance Minister to the Parliament states that the Indian economy has emerged with remarkable rapidity from the slowdown caused by the global financial crises of 2007-09. The survey further states that notwithstanding the tightening of money markets and moderate growth in deposits, the financial situation remained orderly with a pick up in credit growth, vibrant equity market and stable foreign exchange market. The survey further states that though the down side risks of global events, particularly movement in prices of commodities like crude oil (exacerbated by the political turmoil in the Middle East), remain, the Indian economy is poised to further improve and consolidate in terms of key macroeconomic indicators.

The Union Budget 2011-12 was presented admist generally optimistic growth outlook with notable improvements in private savings and investment rates, as well as a resumption of private consumption demand. While highlighting the strong and robust performance of the economy, the Finance Minister struck a tone of caution with respect to a number of challenges that the economy currently faces. Foremost amongst all was the trend of inflation that originated with supply bottlenecks but has become more generalized in recent times. Overall, the policy prescriptions outlined in the budget sends a signal that the general direction in which the economy is headed, is on course to deliver high growth and therefore does not warrant any significant course correction.

Monsoon does play an important role on the economy of a Country like India, where agriculture provides around 70% of employment either directly or indirectly. This is the major reason, for the economic growth of India to depend on Monsoon season. If the monsoon is good, it boosts up the economy of the Country and helps in maintaining GDP growth.

The FMCG Sector and Indian consumers

India is one of the fastest growing markets in the world. According to some leading studies the total consumption in India is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. India ranks first in the Nielsen Global Consumer Confidence survey released in January 2011. As per leading studies more than 80 percent of FMCG categories are growing faster in rural India as compared to urban India. Not only are most categories growing faster in rural markets than in urban, rural India's contribution to growth in these categories is significantly high. Rural India, mostly termed as "high opportunity" market, is no longer just an opportunity, but is now yielding results.

Performance Overview & Outlook

The Company operates in a single reportable business and geographical segment. The Company's core business is manufacturing, marketing and distribution of Healthcare and Feminine Hygiene products. Under these businesses it has in its portfolio: *VICKS* – India's No. 1 Healthcare Brand and *WHISPER* – India's leading Feminine Hygiene Brand (in value terms).The discussion on financial performance of the Company is elaborated in the Directors' Report.

Healthcare Business

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Risk Management

Business, Finance & Operational risks

The Company's risk management policy is in line with the parent Company's global guidelines on risk management and as such adequate measures have been adopted by the Company to combat the various risks including business risks (competition, consumer preferences, technology changes), finance risks (cost, credit, liquidity, foreign exchange) and so on. The Company has adopted a focused approach towards risk management in form of a Corporate Insurance Program, which has the goal of optimizing the financing of insurable risks, by using a combination of risk retention and risk transfer techniques. This program duly covers any risks relating to business interruption resulting from property damage and legal liability resulting from property damage or personal injury.

The Company has in place a very stringent and responsive system under which all its distributors and vendors are assessed before being selected. Further, there exists a system by which all distributors' and vendors' site and operations are periodically reviewed by the Company for managing risks, if any.

Regulatory and Compliance risks

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

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

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

Security Risks

Your Company has installed comprehensive security programs to protect employees and assets at all its Offices and Plants. Security measures are overseen by a specially designated Global Security Manager – South Asia and a reputed security agency has been appointed to guard our premises, thorough screening of all visitors and items received inwards. There is also a system for continuous monitoring of security alerts across the country. Training is regularly given to all security guards who are on duty 24 X 7. Evacuation drills are conducted twice a year. A global policy is in place to issue travel advisories to all employees in case there is any adverse situation at any place in the world. If the situation warrants, *travel bans are* imposed. During the Financial Year under review, no breaches or major accidents occurred at any of the Company's Plants. Your Company has installed the best of the security measures and processes to protect its personnel and assets.

Internal Controls & their adequacy

Your Company has robust Internal Controls and Risk Management systems for achieving operational efficiency, optimal utilization of resources and compliance with local applicable laws. Your Company has a strong system of Internal Controls to ensure that all assets are safeguarded and protected against loss and unauthorized use.

A system of Control Self Assessments (CSA) is in place for managing risk, assessing controls in operational areas, collating documented process, policies, evidences and proofs to identify control weaknesses and initiate actions to mitigate them.

During the Financial Year under review, the Global Internal Audit (GIA) group of P&G Asia, performed Audits of major operational areas of the Company. They undertook extensive tests and verified documentary evidence and shared their findings/ issues to the Company's top management for remediation. GIA also performed follow up audits of previous engagement findings to assess that Control issues are fully remediated by the Company.

HR Initiatives

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

Attracting Talent: Recruiting continues to be a key focus – Your Company has a well established campus recruitment process that currently visits some of the top business schools and engineering campuses for both the summer internship and final hiring cycles. Over the years we have partnered closely with the top institutes in India to establish P&G as a preferred employer. Your Company runs function-wise pre placement talks and activities to help students gain an understanding of the roles, responsibilities and the organisation to enable them to make informed choices. Compensation and benefits is another key part to attracting the best talent. Your Company's benefit programs are best in class giving it a competitive advantage. As a result, we continue to be chosen ahead of competitors by students.

Developing Talent: Strong induction and training systems for new hires is a key part of retention program. Your Company allows new hires to handle responsibility and large roles consistent with their capability, thus allowing exposure to decision making and strategy. Clearly defined functional career paths helps employees to plan their career goals and understand the skills needed to be built. Your Company's annual performance management system is very robust and clearly assesses and differentiates amongst employees on the basis of performance and potential. Your Company leverages its size as a global organisation in giving employees the opportunity to work across regions and business units, as well as moving them to international assignments on a regular, planned basis. Your Company is committed to providing meaningful, fast growing, international careers to employees and this is a key part of our retention efforts. This year we also focussed on developing leadership capability at senior manager level through 'Build our Future' training programme involving trainers from across Asia to ensure that our people have all the skills needed to deliver business and organization growth.

Your Company has been ranked among *the Top 1 most preferred employer"* as per Nielsen Survey in our targeted campuses. In the internal P&G survey, we continue to see high employee engagement and scores on key indicators are among the highest in the P&G world. This year we will continue to focus on building capability in all areas of the organization, and continue to work on initiatives to strengthen our employee engagement both internally and externally.

Employee and trade relations related developments are covered in the Directors' Report. The number of employees as on June 30, 2011 was 370.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

Your Directors are pleased to give below the Corporate Governance Report:

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

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

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

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

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

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

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

BOARD OF DIRECTORS

(a) Composition of the Board

As on date, the Board has one Managing Director (MD), and four Non-Executive Directors. The Managing Director is involved in the day-to-day management of the Company while the Non-Executive Independent Directors bring external perspective and independence to decision making. Mr. R. A. Shah and Mr. B. S. Mehta are 'Non-Executive Independent Directors' as per explanation to Clause 49I (A) of the Listing Agreement with Stock Exchanges. Except the Managing Director, all the Non-Executive Directors are liable to retire by rotation. As per Article 131 of the Articles of Association of the Company, The Procter & Gamble Company, USA has the right to designate one or more of the Members of the Board as Managing Director(s) of the Company.

(b) Number of Board meetings

Four Board Meetings were held during the period July 1, 2010 to June 30, 2011. They were held on August 18, 2010, October 25, 2010, January 28, 2011 and April 25, 2011.

(c) Directors' attendance record and Directorships held

The attendance record of all Directors is as under:

Directors	No. of Board meetings attended	Last AGM Attendance
Mr. R. A. Shah	4	Present
Mr. S. Khosla	4	Present
Mr. B. S. Mehta	4	Present
Mr. D. Acharya	4	Present
Ms. D. Henretta	None	Not Present
Mr. P. Agarwal ✦	None	Not Present

✦ *Alternate Director to Ms. Henretta.*

The composition and other required details of the Board of Directors as on June 30, 2011 are given below:

Name of the Director	Category	Designation	Other Directorships *		Membership of other Board Committees**	
			Member	Chairman	Member	Chairman
Mr. R. A. Shah	NED/ID	Chairman	14	3	9	4
Mr. S. Khosla	ED	Managing Director	2	1	2	1
Mr. B. S. Mehta	NED/ID	Director	14	None	9	5
Mr. D. Acharya	NED	Director	1	None	1	None
Ms. D. A. Henretta	NED	Director	1	None	None	None
Mr. P. Agarwal	NED	Alternate to Ms. D. Henretta	None	None	None	None

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

* *excludes Directorships in Private Limited Companies, Bodies Corporate, Foreign Companies, memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships.*

** *Includes memberships of only Audit Committees and Share Transfer and Investor Grievance Committees of Public Companies.*

(d) Material significant related party transaction

There are no materially significant transactions made by the Company with its promoters, Directors, or management, their subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 12 of Part B of Schedule 17 forming part of the Financial Statements.

(e) Remuneration of Directors

The Non-Executive Independent Directors have been paid annual commission of ₹ 10 lakhs each w.e.f. July 1, 2006 for a period of 5 years, subject to deduction of tax at source.

The Members of the Company had at their 42nd Annual General Meeting held on October 6, 2006 passed a Special Resolution according approval for payment of Commission upto 1% of the net profits of the Company per annum in the aggregate for a period of Five Years w.e.f. January 1, 2006 or such date as the Board may approve, to the Non Executive Independent Directors. The Board of Directors (and a committee constituted thereof) had subsequently accorded approval for payment of Annual Commission within the prescribed limit to the Non Executive Independent Directors for 5 years w.e.f. July 1, 2006. It is now therefore necessary to seek a fresh approval from the Members at the ensuing 47th Annual General Meeting for payment of commission upto 1% of the net profits of the Company per annum in the aggregate for a period of Five Years w.e.f. July 1, 2011 or such date as the Board of Directors may approve.

The above commission is restricted to one percent of the net profits of the Company per annum in the aggregate as calculated as per the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956.

Your Company also pays fees for the professional services to the firm of Chartered Accountants and firm of Solicitors and Advocates of which two of the Non-Executive Independent Directors are respectively partners. Considering the amounts involved, the Company is of the opinion that there is no material pecuniary relationship/association with these firms. The Non-Executive Independent Directors are paid remuneration based on their responsibility and performance and in terms of the resolution as passed by the Members at the General Meeting.

Details of the remuneration paid to the Directors of the Company during the Financial Year ended June 30, 2011 are given below:

Name of Director	Relationship with other Directors	Salary including Bonus + PF contribution (₹)	Perquisites (₹)	Commission (₹)	Total (₹)	Shares held (Equity Shares of ₹ 10/- each)
Mr. R. A. Shah	None	—	—	10,00,000	10,00,000	5,550
Mr. S. Khosla	None	7,92,46,194 #	5,19,996	—	7,97,66,190	67
Mr. B. S. Mehta	None	—	—	10,00,000	10,00,000	3,799
Mr. D. Acharya	None	—	—	—	—	—
Ms. D. A. Henretta	None	—	—	—	—	—
Mr. P. Agarwal ✦	None	—	—	—	—	—
TOTAL		**7,92,46,194**	**5,19,996**	**20,00,000**	**8,17,66,190**	**9,416**

✦ *Alternate Director to Ms. D. A. Henretta. Details as regards to the remuneration are disclosed vide Note No. 15 of Part B of Schedule 17 forming part of the Financial Statements.*

\# *Includes the following:*

– *Performance incentive (Short term achievement reward) of ₹ 65,64,655;*

– *Stock Options of ₹ 1,55,37,854 cross charged to Procter & Gamble International/Operations SA Singapore Branch.*

NOTE – No sitting fees are payable to any Director.

The remuneration of the Managing Director comprises salary, house rent allowance, perquisites, performance linked incentives, contribution to provident and other funds, gratuity and leave travel allowance and other perquisites and benefits as per the policy of the Company.

The term of the Managing Director (MD) is for a period of five years from the date of his respective appointment/ re-appointment. No fee/compensation is payable to the Directors on severance of directorship of the Company.

The Company has not set up a Remuneration Committee. However, the Company, for paying its employees, is guided by the principles of paying competitively to match industry levels and for individual performances and their contribution to the business.

STOCK OPTIONS

The Company does not have any Stock Option Plan for its employees. However, all employees of the Company including its Managing Director are given the right to purchase shares of the ultimate parent Company – The Procter & Gamble Company, USA under its 'International Stock Ownership Plan.' Certain employees of the Company are also entitled to Stock Option of the parent Company under its Employee Stock Option Plan. Details as regards the same are disclosed vide Note No. 14 of Part B of Schedule 17 forming part of the Financial Statements.

(f) Committees of the Board

Audit Committee

The Audit Committee comprises of Non-Executive Directors namely Mr. R. A. Shah (Chairman), Mr. B. S. Mehta (Member) and Mr. D. Acharya (Member). The Audit Committee met on August 18, 2010, October 25, 2010, January 28, 2011 and April 25, 2011.

Directors	Designation	Category	Profession	No. of Meetings held during tenure	No. of Meetings attended
Mr. R. A. Shah	Chairman	NED/ID	Advocate	4	4
Mr. B. S. Mehta	Member	NED/ID	Chartered Accountant	4	4
Mr. D. Acharya	Member	NED	In Service	4	4

Mr. A. Vyas is the Secretary of the Audit Committee.

The Audit Committee enjoys the powers and plays the role as is contemplated under Section 292A of the Companies Act, 1956 read with the Listing Agreement as amended from time to time, with the Stock Exchanges. The quorum for the Committee is two members, who are Independent Directors.

The Audit Committee powers include the following:

(a) to investigate any activity within its terms of reference.

(b) to seek information from any employee.

(c) to obtain outside legal or other professional advice.

(d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee role includes the following:

(a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

(c) Reviewing with management the Annual Financial Statement/s before submission to the Board, focusing primarily on:

- Matters required being included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualifications in Draft Audit Report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with Stock Exchange and Legal requirements concerning Financial Statements.
- Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.

(d) Reviewing with the management, the Quarterly Financial Statements before submission to the Board for approval.

(e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

(f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

(g) Discussion with internal auditors of any significant findings and follow up thereon.

(h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

(i) Discussion with external auditors before the audit commences about nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

(j) Reviewing the Company's financial and management policies.

(k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, Members (in case of non-payment of declared dividends) and creditors.

(l) Reviewing the functioning of the Whistle Blower mechanism.

(m) Carrying out any other function as required in the terms of reference of the Audit Committee in the Listing Agreement as may be amended from time to time.

The minutes of the Committee are placed before the Board.

Shareholders'/Investors' Grievance Committee

The Shareholders' Grievance Committee comprises of Mr. S. Khosla (Member) and Mr. D. Acharya (Chairman). Mr. A. Vyas, Company Secretary acts as the Compliance Officer. During the Financial Year Four Meetings were held on August 18, 2010, October 25, 2010, January 28, 2011 and April 25, 2011.

Directors	No. of Meetings held during tenure	No. of Meetings attended
Mr. S. Khosla	4	4
Mr. D. Acharya	4	4

The Committee redresses shareholder complaints like delays in transfer of shares, non-receipt of dividend warrants, non-receipt of annual report etc. The Committee considers and approves transfer/transmission of shares, issue of duplicate share certificates, and dematerialization of shares.

During the Financial Year, the Company received 117 shareholder complaints. These complaints have been resolved to the satisfaction of the shareholders except for disputed cases and sub-judice matters, which would be resolved on final disposal by Courts. There were no pending transfers as on June 30, 2011. The pending share transfers have since been acted upon by the Registrar and Share Transfer Agents.

SHAREHOLDERS

(a) Disclosures regarding re-appointment of a Director

(i) **Mr. Bansi S. Mehta** is a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is an accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions.

Presently Mr. Mehta is a Director of the following Public Companies: Atul Limited, Bharat Bijlee Limited, Century Enka Limited, CEAT Limited, Clariant Chemicals (India) Limited, Gillette India Limited, Housing Development Finance Corporation Limited, IL&FS Investment Managers Limited, J B Chemicals & Pharmaceuticals Ltd., National Securities Depository Limited, Pidilite Industries Limited, Sasken Communication Technologies Limited, SBI Capital Markets Limited and Sudarshan Chemical Industries Limited.

Mr. Mehta is an Alternate Director of Uhde India Private Limited.

Mr. Mehta is the Chairman of Audit Committee of IL&FS Investment Managers Limited, J B Chemicals & Pharmaceuticals Limited, Pidilite Industries Limited, Sasken Communication Technologies Limited and Sudarshan Chemicals Industries Limited. He is also a Member of Audit Committee of Atul Limited, Century Enka Limited, Gillette India Limited and Housing Development Finance Corporation Ltd.

(b) Communication to shareholders

(i) The Company does not send its Quarterly or Half-Yearly report to its Members.

(ii) The Quarterly Results of the Company are announced within 45 days of completion of the Quarter, as prescribed under the Listing Agreement. Audited Annual Results are announced within 60 days of the end of Financial Year which are published in The Economic Times and Mumbai Lakshadeep.

(iii) The Company's results and official news releases are published on Company's website: http://www.pg-india.com. It contains data on various topics related to transfers, transmission of shares, Dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc. Also, a special facility has also been provided for Members to send in their suggestions/ grievances, which are immediately responded to.

(iv) No presentations were made to Analysts and Institutional Investors.

(v) Annual Report and Quarterly Results of the Company are also posted on the Corpfiling site viz. www.corpfiling.co.in

(vi) Your Company has taken requisite steps to ensure compliance with the Circular No. 17/2011 dated April 24, 2011 and Circular No. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs, propagating the 'Green Initiative'. This initiative involves paperless compliances by serving documents on the Members through the electronic mails (e-mails). Specific details of the steps taken by the Company in this regard are given in the notes to the Notice convening the 47th Annual General Meeting of the Company.

(vii) The recorded version of the proceedings of the 47th Annual General Meeting would be webcast at the Company's website http://www.pg-india.com.

(c) Statutory Compliance

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

(d) Annual General Meetings:

Year	Type	Location	Date	Time
2010	AGM	Y. B. Chavan Hall	Oct. 8, 2010	3:30 p.m.
2009	AGM	Patkar Hall	Oct. 15, 2009	3:30 p.m.
2008	AGM	Y. B. Chavan Hall	Oct. 10, 2008	3:30 p.m.

No Special Resolution was passed at the last three Annual General Meetings.

Postal Ballot

No postal ballot was undertaken during the Financial Year.

(e) Whistle Blower Policy

The Company follows a Whistle Blower Policy as laid down in its "*Worldwide Business Conduct Manual*". Any employee or other interested person can call on an 'Alertline', twenty-four hours a day, seven days a week, to report any concerns about violations of the Company's "*Worldwide Business Conduct Standards*".

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

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

The 'Alertline' was accessible to all employees.

(f) CEO/CFO Certification

In terms of requirement of Clause 49(V) of the Listing Agreement, the Managing Director (CEO) and the Chief Financial Officer (CFO) have made a certification to the Board of Directors in the prescribed format for the Financial Year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

(g) Adoption of non-mandatory requirements

(a) Adoption of non-mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

(b) There is no fixed tenure for Independent Directors. The Board of Directors ensures that the person being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company.

(c) There are no audit qualifications in the Company's financial statements for the Financial Year under reference.

(d) No specific training program was arranged for the Board Members. However, at the Board Meetings, detailed presentations are made by senior managerial personnel on the business related matters.

(e) The Company has not adopted any mechanism for evaluating individual performance of Non-Executive Directors.

(f) Of the non-mandatory requirements, currently the Company has the Whistle Blower Policy, as described above.

(h) Code of Conduct

(i) Code of Conduct for Directors

The Company has in place a Code of Conduct for its Directors. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The Code of Conduct has been posted on the Company's website at http://www.pg-india.com.

(ii) Code of Conduct for prevention of Insider Trading

The Board of the Company has adopted the Insider Trading Code modified in terms of amendments notified by SEBI under the SEBI (Prohibition of Insider Trading) Regulations, 1992 on November 19, 2008.

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

The 47th Annual General Meeting will be held on **Wednesday, November 23, 2011 at 3.30 p.m.** at Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhonsle Marg, Mumbai 400 021.

II. Financial Calendar:

The Company follows July-June Financial Year. The Unaudited Results for every Quarter beginning from July are declared in the month following the quarter except for the last quarter, for which the Audited Results are declared by August, as permitted under the Listing Agreement.

III. Book Closure Date Wednesday, November 9, 2011 to Wednesday November 23, 2011 (both days inclusive).

The said book closure is for payment of dividend.

IV. **Dividend Payment Date** on or around **November 30, 2011.**

V. **Listing of Equity Shares on Stock Exchanges**

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

VI. **Re-organization of Distinctive Nos. and Issue of New Share Certificates:**

The Company, in order to facilitate consolidation of share certificates and also with a view to encourage more dematerialization of shares by the holders of physical shares, has issued new consolidated share certificates with the re-organized distinctive nos. The old share certificates will be treated as cancelled and bad delivery in the market. The cut-off date for reckoning the list of physical shareholders who were eligible for new consolidated share certificates was Friday, March 18, 2011. In view of such newly issued share certificates, the Company would be examining and pursuing the necessary steps for ensuring compliance with the newly introduced Clause 5A II of the Listing Agreement regarding "Unclaimed Shares".

VII. **Stock Code**

Bombay Stock Exchange Ltd., Mumbai –
Code: 500459 (physical & demat)
National Stock Exchange of India Ltd. – Code: PGHH
The dematerialization ISIN Code is **INE 179A01014**

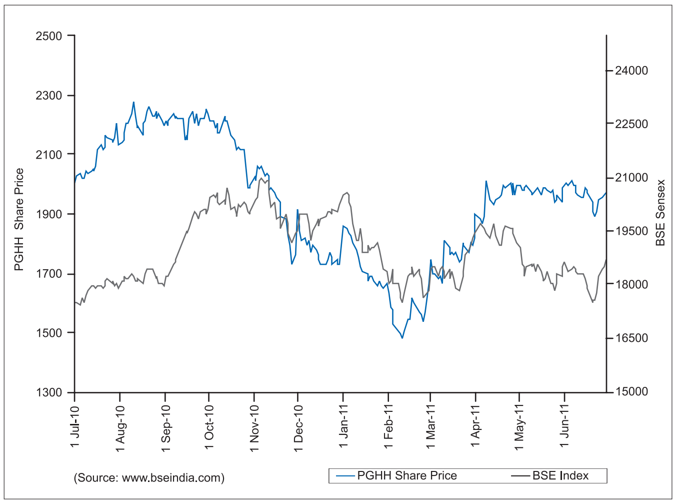
VIII. **Stock Price Data**

MONTH	Bombay Stock Exchange Ltd., Mumbai		National Stock Exchange of India Ltd.	
	₹ High	₹ Low	₹ High	₹ Low
July – 2010	2,236.00	1,993.00	2,296.00	1,990.00
August – 2010	2,311.00	2,000.00	2,305.00	2,099.00
September – 2010	2,262.00	2,120.00	2,275.00	2,121.00
October – 2010	2,243.00	1,952.20	2,299.00	1,956.15
November – 2010	2,078.00	1,720.00	2,074.65	1,716.80
December – 2010	1,915.00	1,710.00	1,918.00	1,700.00
January – 2011	1,859.00	1,581.00	1,895.00	1,630.00
February – 2011	1,690.00	1,460.00	1,688.80	1,460.00
March – 2011	1,957.30	1,631.50	1,950.00	1,646.00
April – 2011	2,125.00	1,839.00	2,125.90	1,828.05
May – 2011	2,049.00	1,910.20	2,050.00	1,920.00
June – 2011	2,040.00	1,860.00	2,045.00	1,870.30

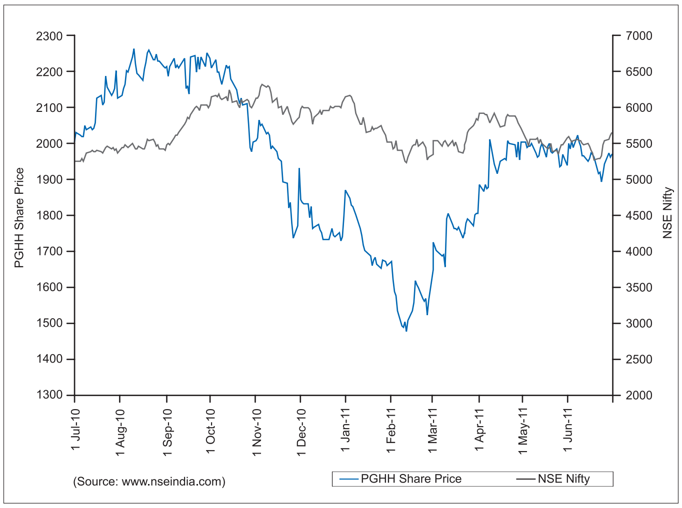
(Source: www.bseindia.com & www.nseindia.com)

IX. **Stock Performance**

PGHH Share price vs BSE Index



PGHH Share price vs NSE NIFTY



X. **Registrar & Transfer Agents**

Link Intime Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078

Tel – (022) 2596 3838, Fax – (022) 2594 6969,

e-mail – rnt.helpdesk@linkintime.co.in
pginvestors@linkintime.co.in

XI. **Share Transfer System**

All shares sent for transfer in the Physical form are registered by the Registrar and Share Transfer Agent within 30 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for Dematerialization of Shares are processed and the confirmation is given to the respective Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), within 15 days.

XII. Distribution of Shareholding by size class as on June 30, 2011

	Shareholders		Shares Amount	
Share holding	Number	% to Total	Number	% to Total
Upto 500	20,965	91.96	19,15,973	5.90
501 – 1000	1,034	4.54	7,24,983	2.23
1001 – 2000	478	2.10	6,67,215	2.06
2001 – 3000	105	0.46	2,58,533	0.80
3001 – 4000	54	0.24	1,90,671	0.59
4001 – 5000	33	0.14	1,49,031	0.46
5001 – 10000	54	0.24	3,70,014	1.14
10001 and above	73	0.32	2,81,84,316	86.82
TOTAL	**22,796**	**100.00**	**32,460,736**	**100.00**

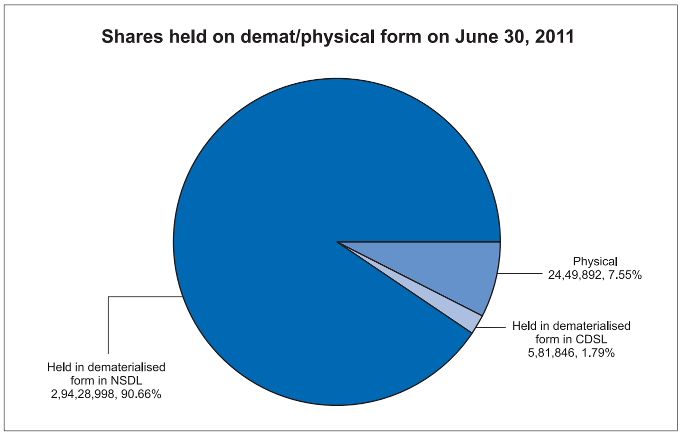
Distribution of Shareholding by Ownership as on June 30, 2011

Category	Number of Shares held	% of Shares held
Foreign & Indian promoters	2,29,29,773	70.64
Resident Individuals	44,94,482	13.85
Mutual Funds & UTI	21,90,548	6.75
Financial Institutions/Banks	1,71,546	0.53
Insurance Companies	9,28,335	2.86
Foreign Institutional Investors	7,39,955	2.28
Private Corporate Bodies	8,85,954	2.72
NRIs/OCBs	1,04,759	0.32
Directors and their relatives	15,384	0.05
TOTAL	**3,24,60,736**	**100.00**

XIII. Dematerialization of shares and liquidity

The Company's shares are required to be compulsorily traded in the Stock Exchanges in Dematerialised form. As on June 30, 2011 the number of shares in Dematerialised and Physical mode is as under:

	No. of shares	% to total capital issued
Held in Dematerialised form in NSDL	2,94,28,998	90.66
Held in Dematerialised form in CDSL	5,81,846	1.79
Physical	24,49,892	7.55
TOTAL	**3,24,60,736**	**100.00**



XIV. In terms of Circular No. Cir/ISD/3/2011 dated June 17, 2011 SEBI has notified that the securities of Companies shall be traded in the normal segment of the Stock Exchanges, if and only if, the Company has achieved 100% of the Promoter's and Promoter group's shareholding in the Dematerialized form, latest by the Quarter ended September 30, 2011. Accordingly the Company has initiated necessary steps to comply with the said SEBI Circular.

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

XVI. Unclaimed/Unpaid Dividends

The amount of the unclaimed dividends for and upto the Financial Year ended 2003 has been transferred to the Investor Education and Protection Fund established by the Central Government. Pursuant to Section 205C of the Companies Act, 1956, those Members who have not claimed their dividend for the said periods shall not be entitled to claim the same either from the Company or from the said fund.

Final dividend for the Financial Year ended June 30, 2004 and subsequent years, which remain unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government on the dates mentioned in the table below. Members who have not encashed their dividend warrants for these Years are requested to seek issue of duplicate warrants on or before the due dates mentioned therein, by writing to the Company's RTA M/s. Link Intime India Private Limited.

Dividend No.	Date of Declaration	For the Financial Year ended	Due for transfer to IEPF
51	15.10.2004	30.06.2004	20.11.2011
52	25.11.2005	30.06.2005	31.12.2012
53	06.10.2006	30.06.2006	11.11.2013
54	12.10.2007	30.06.2007	17.11.2014
55	10.10.2008	30.06.2008	15.11.2015
56	15.10.2009	30.06.2009	20.11.2016
57	08.10.2010	30.06.2010	13.11.2017

During the Financial Year 2010-11, unclaimed final dividend amount for the Financial Year ended June 30, 2003 of ₹ 16,52,960/- was transferred to the Investor Education and Protection fund on December 3, 2010.

XVII. Plant Locations

Goa Plants:

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

(2) Plot 2, GDDIDC Honda, Bhuipal, Sattari, Goa 403 506.

Baddi Plants:

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

(2) Village Katha, Near Charak Pharma, P.O. Baddi, Tehsil-Nalagarh, Dist.: Solan, Himachal Pradesh - 173 205.

XVIII. Address for Correspondence:

Secretarial Dept.,
Procter & Gamble Hygiene and Health Care Limited,
P&G Plaza, Cardinal Gracias Road,
Chakala, Andheri (East),
Mumbai - 400 099.
Tel: (91-22) 28266000, Fax (91-22) 66939696.
Email: pginvestors@linkintime.co.in

XIX. Compliance Officer:

Mr. Amit Vyas
Company Secretary
Ph: (91-22) 2826 6000, Fax (91-22) 2826 7337
Email: vyas.a@pg.com

Declaration

As provided under clause 49 of the Listing Agreement with Stock Exchanges, the Board Members have confirmed compliance with the Directors' Code of Conduct for the Financial Year ended June 30, 2011 and the Senior Management has confirmed compliance with the Business Conduct Manual for the Financial Year ended June 30, 2011.

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

Mumbai,
August 25, 2011

S. Khosla
Managing Director

Auditors' Certificate on Compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

To
The Members of
Procter & Gamble Hygiene and Health Care Limited

We have examined the compliance of conditions of Corporate Governance by Procter & Gamble Hygiene and Health Care Limited ("the Company"), for the Financial Year ended June 30, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 25, 2011.

AUDITORS' REPORT TO THE MEMBERS OF PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED

1. We have audited the attached Balance Sheet of Procter & Gamble Hygiene and Health Care Limited ("the Company"), as at 30th June, 2011, the Profit and Loss account and also the Cash Flow Statement of the Company for the Financial Year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report as follows:

   (a) we have obtained all the information and explanation 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 Profit and Loss Account and also the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2011;

      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the Financial Year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the Financial Year ended on that date.

5. On the basis of written representations received from the Directors as on 30th June, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on 30th June, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 25, 2011

Annexure referred to in paragraph 3 of the Auditors' Report on the Accounts of Procter & Gamble Hygiene and Health Care Limited

i. Having regard to the nature of the Company's business/activities/result, clauses vi, x, xi, xii, xiii, xiv, xv, xvi, xviii, xix and xx of CARO are not applicable.

ii. In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the Financial Year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the Financial Year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

iii. In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the Financial Year by management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

vi. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.

(b) Where each of such transactions (excluding loans reported under paragraph (iv) above) is in excess of ₹ 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regard to the specialized nature of some of the transactions of the Company.

vii. In our opinion, the company has an adequate internal audit system commensurate with the size and the nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of "formulations" and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

ix. According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection

Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at June 30, 2011, for a period of more than six months from the date they became payable.

(c) Details of Excise Duty, Sales Tax and Custom Duty which have not been deposited as on 30th June, 2011 on account of disputes are given below:

Sr. No.	Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹ in Lakhs)
1.	Sales Tax Laws as per statutes applicable in various states	Sales Tax	Appellate Authorities	1997-98 to 2006-07 and 2008-09	912.35
			Tribunal	1990-91 to 1996-97, 2001-02, 2007-08	569.22
			High Court	1990-91 to 1997-98 and 2002-03	17.14
	Sub-total				**1498.71**
2.	Customs Act, 1962	Custom Duty	Joint Director General of Foreign Trade	1992-93	225.00
	Sub-total				**225.00**
3.	The Central Excise Act, 1944	Excise Duty	Appellate Authorities	2004-05 to 2008-09	10.00
	Sub-total				**10.00**
4.	Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010	Entry Tax	High Court	2010-11	13.11
	Sub-total				**13.11**

The above excludes disputed unpaid Excise demands of ₹ 221.40 lakhs raised by the authorities on third parties with whom the Company has business transactions/contractual obligations.

There were no disputed dues remaining unpaid in respect of income tax, service tax, wealth tax and cess during the Financial Year.

x. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the funds raised on short term basis have not been used during the Financial Year for long term investment.

xi. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the Financial Year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 25, 2011

Balance Sheet as at June 30, 2011

	Schedule No.	As at June 30, 2011 ₹	₹	As at June 30, 2010 ₹	₹
Sources of Funds					
Shareholders' funds					
Share Capital	1	**32 46 07 360**		32 46 07 360	
Reserves and Surplus	2	**5 68 17 01 181**		5 02 17 88 686	
			6 00 63 08 541		5 34 63 96 046
Deferred Tax Liability – Net	3		**2 81 02 024**		2 24 38 025
TOTAL			**6 03 44 10 565**		5 36 88 34 071
Application of Funds					
Fixed Assets	4				
Gross Block		**3 12 90 15 641**		2 42 96 61 718	
Less: Depreciation/Amortization/ Impairment		**1 22 52 02 793**		1 12 57 29 210	
Net Block		**1 90 38 12 848**		1 30 39 32 508	
Capital work-in-progress (including advances on capital account)		**7 63 56 517**		66 44 08 718	
			1 98 01 69 365		1 96 83 41 226
Current Assets, Loans and Advances					
Inventories	5	**65 33 44 287**		54 40 62 158	
Sundry Debtors	6	**31 01 91 641**		28 68 14 305	
Cash and Bank Balances	7	**1 29 95 18 104**		2 32 32 71 452	
Other Current Assets	8	**13 88 61 962**		8 43 95 089	
Loans and Advances	9	**4 39 47 58 297**		3 06 15 69 821	
		6 79 66 74 291		6 30 01 12 825	
Less: Current Liabilities and Provisions					
Current Liabilities	10	**1 82 55 24 300**		1 99 00 37 086	
Provisions	11	**91 69 08 791**		90 95 82 894	
		2 74 24 33 091		2 89 96 19 980	
Net Current Assets			**4 05 42 41 200**		3 40 04 92 845
TOTAL			**6 03 44 10 565**		5 36 88 34 071
Significant Accounting Policies and Notes to Accounts	17				

In terms of our report attached

For DELOITTE HASKINS & SELLS	**For and on behalf of Board of Directors**		
Chartered Accountants	**R. A. Shah**	**S. Khosla**	
	Chairman	***Managing Director***	***Directors:***
K. A. Katki	**A.Vyas**	**T. J. Buch**	**B. S. Mehta**
Partner	***Company Secretary***	***Chief Financial Officer***	**D. Acharya**

Mumbai, August 25, 2011

Profit and Loss Account for the Financial Year ended June 30, 2011

	Schedule No.	2010 - 2011 ₹	2010 - 2011 ₹	2009 - 2010 ₹	2009 - 2010 ₹
Income					
Sales – Gross			10 37 01 89 678		9 13 51 42 651
Less: Excise duty (Refer Note B.6 of Schedule 17)			36 76 58 550		10 64 65 096
Net Sales			10 00 25 31 128		9 02 86 77 555
Licence fee			1 64 62 283		1 59 13 614
Other Income	12		36 37 87 782		28 65 26 385
			10 38 27 81 193		9 33 11 17 554
Expenditure					
Raw materials and packaging materials consumed			2 99 69 92 823		2 38 27 36 428
Purchase of Finished Goods			90 53 10 307		40 84 45 983
Decrease/(Increase) in finished goods and work-in-process	13		(65 82 178)		46 63 544
Payments to and provisions for employees	14		50 56 81 932		43 45 72 883
Operating and other expenses	15		3 99 21 49 461		3 51 39 47 316
Interest	16		2 59 958		2 50 780
Depreciation/Amortization/Impairment	4		22 15 50 043		25 02 57 968
			8 61 53 62 346		6 99 48 74 902
Profit Before Taxation			1 76 74 18 847		2 33 62 42 652
Provision for taxation:					
Income Tax					
Current Tax			35 60 13 000		57 02 37 000
Deferred Tax Charge/(Credit) – (Net)			56 64 000		(3 16 48 000)
MAT Credit			(10 30 20 923)		—
Profit After Taxation			1 50 87 62 770		1 79 76 53 652
Balance brought forward from Previous year			2 78 09 27 527		2 01 47 45 191
Amount available for appropriation			4 28 96 90 297		3 81 23 98 843
Appropriations:					
Proposed dividend		73 03 66 560		73 03 66 560	
Corporate tax on dividend		11 84 83 715		12 13 04 756	
Transfer to General Reserve		15 09 00 000		17 98 00 000	
			99 97 50 275		1 03 14 71 316
Balance carried forward			3 28 99 40 022		2 78 09 27 527
Number of equity shares outstanding during the year of ₹ 10/- each			3 24 60 736		3 24 60 736
Basic and diluted earnings per share (₹) (Refer Note B.16 of Schedule 17)			46.48		55.38
Significant Accounting Policies and Notes to Accounts	17				

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

For and on behalf of Board of Directors

R. A. Shah
Chairman

S. Khosla
Managing Director

Directors:
B. S. Mehta
D. Acharya

A.Vyas
Company Secretary

T. J. Buch
Chief Financial Officer

Mumbai, August 25, 2011

Cash Flow Statement for the Financial Year ended June 30, 2011

		2010 - 2011		2009 - 2010
	₹	₹	₹	₹
A. Cash Flow from Operating Activities				
Profit Before Taxation		**1 76 74 18 847**		2 33 62 42 652
Adjustments for:				
Depreciation/Amortization/Impairment	**22 15 50 043**		25 02 57 968	
Interest income	**(32 12 45 185)**		(16 94 49 589)	
Interest expense	**2 59 958**		2 50 780	
Provision for employee benefits	**1 01 46 939**		74 19 583	
Provision for doubtful Debts	**1 14 77 760**		—	
Unrealised Foreign Exchange (Gain)/Loss (net)	**(1 28 22 824)**		1 19 63 508	
Loss on sale/scrap of Fixed Assets (net)	**1 92 33 533**		61 09 955	
		(7 13 99 776)		10 65 52 205
Operating profit before working capital changes		**1 69 60 19 071**		2 44 27 94 857
Adjustments for:				
Increase in Trade and other receivables	**(19 38 74 698)**		(22 88 44 155)	
Increase in Inventories	**(10 92 82 129)**		(42 33 903)	
(Decrease)/Increase in Trade and other payables	**(15 11 59 484)**		82 72 78 958	
		(45 43 16 311)		59 42 00 900
Cash generated from operations		**1 24 17 02 760**		3 03 69 95 757
Direct taxes paid (net)		**(36 73 14 406)**		(65 01 02 052)
Net Cash generated from Operating Activities		**87 43 88 354**		2 38 68 93 705
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	**(25 48 19 338)**		(65 79 43 659)	
Sale of fixed assets	**22 07 622**		12 37 300	
Interest received	**26 67 78 312**		10 51 46 318	
Loan given to fellow subsidiary	**(1 06 04 05 404)**		(25 73 22 206)	
Investment in Long Term Fixed Deposits	**(8 00 000)**		—	
Inter Corporate Deposits received back/placed (net)	**—**		72 00 00 000	
Net Cash generated/(used in) Investing Activities		**(1 04 70 38 808)**		(8 88 82 247)
C. Cash Flow from Financing Activities				
Dividend paid	**(73 03 66 560)**		(73 03 66 560)	
Corporate Tax on Dividend paid	**(12 13 04 756)**		(12 41 25 797)	
Interest paid	**(2 59 958)**		(2 50 780)	
Net Cash used in Financing Activities		**(85 19 31 274)**		(85 47 43 137)
D. Net (Decrease)/Increase in Cash and Cash Equivalents		**(1 02 45 81 728)**		1 44 32 68 321
E. Cash and Cash Equivalents at the beginning of the year		**2 31 28 83 168**		86 96 14 847
F. Cash and Cash Equivalents at the end of the year		**1 28 83 01 440**		2 31 28 83 168

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements.
2. Cash and Bank Balances include:

	As at June 30, 2011 ₹	As at June 30, 2010 ₹
Cash and Bank Balances (refer Schedule 7)	**1 29 95 18 104**	2 32 32 71 452
Less: Deposits having maturity beyond 3 months	**(1 09 15 000)**	(1 01 15 000)
	1 28 86 03 104	2 31 31 56 452
Effect of exchange rate changes – loss	**(3 01 664)**	(2 73 284)
Cash and Cash Equivalent – as restated	**1 28 83 01 440**	2 31 28 83 168

Cash and Cash Equivalents include an amount of ₹ 1 46 89 254 (Previous year : ₹ 1 51 91 147) being balance in Unclaimed Dividends Accounts which is not available for use.

3. Previous year's figures have been regrouped or rearranged wherever considered necessary.

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 25, 2011

For and on behalf of Board of Directors

R. A. Shah
Chairman

S. Khosla
Managing Director

Directors:
B. S. Mehta
D. Acharya

A.Vyas
Company Secretary

T. J. Buch
Chief Financial Officer

Schedules forming part of the accounts

	As at June 30, 2011 ₹	As at June 30, 2011 ₹	As at June 30, 2010 ₹	As at June 30, 2010 ₹
(1) Share Capital				
Authorised				
3 50 00 000 (Previous year : 3 50 00 000) equity shares of ₹10 each		**35 00 00 000**		35 00 00 000
Issued and subscribed				
3 24 60 736 (Previous year : 3 24 60 736) equity shares of ₹10 each fully paid-up		**32 46 07 360**		32 46 07 360
Of the above shares				
(a) 2 35 41 242 (Previous year : 2 35 41 242) equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve and Securities Premium				
(b) 2 29 29 773 (Previous year : 2 23 10 090) shares are held by the ultimate holding company, The Procter and Gamble Company, USA, and its subsidiaries of which 2 12 21 953 shares (Previous year : 2 12 21 953 shares) are held by Procter and Gamble Asia Holding, BV, The Netherlands.				
(2) Reserves and Surplus				
Securities Premium				
As per last balance sheet		**75 19 37 790**		75 19 37 790
General Reserve				
As per last balance sheet	**1 48 89 23 369**		1 30 91 23 369	
Transfer from Profit and Loss Account	**15 09 00 000**		17 98 00 000	
		1 63 98 23 369		1 48 89 23 369
Profit and Loss Account				
Surplus as per Profit and Loss Account		**3 28 99 40 022**		2 78 09 27 527
		5 68 17 01 181		5 02 17 88 686
(3) Deferred Tax Asset/(Liability)				
Deferred tax asset				
Excise and Sales Tax Provisions	**4 91 59 003**		5 60 36 853	
Payments made under Voluntary Retirement Scheme	**92 67 984**		1 16 79 722	
Disallowances u/s 43B of the Income Tax Act, 1961	**1 28 78 825**		1 03 24 410	
Other timing differences	**79 23 371**		—	
Total		**7 92 29 183**		7 80 40 985
Less: Deferred tax liability				
Depreciation	**10 73 31 207**		10 04 79 010	
Total		**10 73 31 207**		10 04 79 010
Deferred Tax Liability – Net		**(2 81 02 024)**		(2 24 38 025)

(4) Fixed Assets

Particulars	Gross Block at Cost				Depreciation/Amortization/Impairment				Net Block	
	As at July 1, 2010 ₹	Additions/ Transfers during the year ₹	Deletions/ Transfers during the year ₹	As at June 30, 2011 ₹	As at July 1, 2010 (Refer Note 1 below) ₹	For the Year (Refer Note 3 below) ₹	On Deletions/ Transfers ₹	As at June 30, 2011 ₹	As at June 30, 2011 ₹	As at June 30, 2010 ₹
Land – Freehold – (Refer Note 2 below)	6 68 29 823	10 32 766	1 19 525	**6 77 43 064**	—	—	—	**—**	**6 77 43 064**	6 68 29 823
Land – Leasehold	1 72 00 709	—	—	**1 72 00 709**	1 42 52 491	1 76 035	—	**1 44 28 526**	**27 72 183**	29 48 218
Buildings	60 06 58 696	32 87 05 335	—	**92 93 64 031**	19 75 21 248	2 83 16 519	—	**22 58 37 767**	**70 35 26 264**	40 31 37 448
Plant and Machinery	1 42 10 07 946	44 64 11 916	12 80 27 333	**1 73 93 92 529**	73 89 73 089	14 66 71 488	11 12 87 455	**77 43 57 122**	**96 50 35 407**	68 20 34 857
Furniture and fixtures	5 24 11 974	3 51 25 950	1 27 94 730	**7 47 43 194**	2 73 96 742	47 90 174	78 09 485	**2 43 77 431**	**5 03 65 763**	2 50 15 232
Office equipment	15 98 27 394	2 81 81 408	33 83 958	**18 46 24 844**	10 46 05 484	1 23 78 694	27 54 684	**11 42 29 494**	**7 03 95 350**	5 52 21 910
Moulds and Dies	10 70 44 354	29 26 156	—	**10 99 70 510**	3 89 20 762	2 89 28 303	—	**6 78 49 065**	**4 21 21 445**	6 81 23 592
Vehicles	46 80 822	15 20 774	2 24 836	**59 76 760**	40 59 394	2 88 830	2 24 836	**41 23 388**	**18 53 372**	6 21 428
	2 42 96 61 718	84 39 04 305	14 45 50 382	**3 12 90 15 641**	1 12 57 29 210	22 15 50 043	12 20 76 460	**1 22 52 02 793**	**1 90 38 12 848**	1 30 39 32 508
Previous Year	2 21 82 32 601	23 86 82 956	2 72 53 839	2 42 96 61 718	89 53 77 826	25 02 57 968	1 99 06 584	1 12 57 29 210		
Capital work-in-progress (including advances on capital account)									**7 63 56 517**	66 44 08 718
									1 98 01 69 365	1 96 83 41 226

Notes:
1. Opening accumulated depreciation includes impairment on Land-Leasehold ₹ 91 07 650; on Buildings ₹ 7 49 86 109; on Plant and Machinery ₹ 2 05 34 937 and on Office Equipment ₹ 30 621 in 2002-03.
2. Land - Freehold includes ₹ 6 67 10 299 (Previous year : ₹ 6 67 10 299) being the company's share (90%) of assets jointly owned with other parties.
3. During the year Plant & Machinery has been impaired at its plant sites amounting to ₹ Nil (Previous year : ₹ 5 63 14 749).

Schedules forming part of the accounts

	As at June 30, 2011 ₹	As at June 30, 2011 ₹	As at June 30, 2010 ₹	As at June 30, 2010 ₹
(5) Inventories (At lower of cost and net realisable value)				
Raw materials		17 18 33 469		10 11 26 922
Packaging materials		7 95 84 009		4 72 92 086
Stores and spare parts		6 69 40 015		6 72 38 534
Work-in-process		1 63 49 659		1 68 23 021
Finished goods		31 86 37 135		31 15 81 595
		65 33 44 287		54 40 62 158
(6) Sundry Debtors – Unsecured				
Debts outstanding for a period exceeding six months				
Considered good	1 19 67 743		2 34 45 503	
Considered doubtful	1 14 77 760	2 34 45 503	—	2 34 45 503
Other debts – considered good		29 82 23 898		26 33 68 802
		32 16 69 401		28 68 14 305
Less: Provision for doubtful debts		1 14 77 760		—
Total		31 01 91 641		28 68 14 305
(Refer Note B.10 of Schedule 17 – Dues from Companies under the same management)				
(7) Cash and Bank Balances				
Cash on hand		1 174		1 174
Bank balances with scheduled banks in :				
Current accounts		3 76 46 930		8 75 54 378
Deposit accounts*		1 26 18 70 000		2 23 57 15 900
		1 29 95 18 104		2 32 32 71 452
* includes ₹1 08 70 000 (Previous year : ₹1 00 70 000) placed as security against guarantees provided by banks.				
(8) Other Current Assets				
Interest accrued on Loan to fellow subsidiary		13 35 74 674		7 30 95 314
Interest accrued on bank deposits		52 87 288		1 12 99 775
		13 88 61 962		8 43 95 089
(9) Loans and Advances – Unsecured, considered good unless otherwise stated				
Loans and Advances recoverable in cash or in kind or for value to be received (Refer Note B.11 of Schedule 17)				
Considered Good		78 15 07 266		61 76 16 771
Considered Doubtful	9 23 47 661		8 49 72 491	
Less: Provisions for doubtful loans and advances	9 23 47 661	—	8 49 72 491	—
Loan to fellow subsidiary (Refer Note B.11 of Schedule 17)		3 06 71 06 103		2 00 67 00 699
Other deposits		11 60 49 453		11 69 64 910
MAT credit entitlement		10 30 20 923		—
Balance with customs and excise		24 44 873		69 59 167
Advance Tax paid (Net of provisions ₹ 3 00 80 49 620 (Previous year : ₹ 2 65 20 36 620))		30 58 91 809		29 45 90 404
Advance Fringe Benefit Tax (Net of provisions ₹ 8 00 00 000 (Previous year : ₹ 8 00 00 000))		1 87 37 870		1 87 37 870
		4 39 47 58 297		3 06 15 69 821

Schedules forming part of the accounts

	As at June 30, 2011 ₹	As at June 30, 2011 ₹	As at June 30, 2010 ₹	As at June 30, 2010 ₹
(10) Current Liabilities				
Sundry creditors				
– Total outstanding dues to Micro Enterprises & Small Enterprises (Refer Note B.9 of Schedule 17)		—		—
– Total outstanding dues to creditors other than Micro Enterprises & Small Enterprises		**1 71 74 79 003**		1 87 17 02 240
Investor Education Protection Fund				
– Unclaimed dividends#		**1 44 86 100**		1 51 91 147
Other current liabilities		**9 35 59 197**		10 31 43 699
		1 82 55 24 300		1 99 00 37 086

\# There are no amounts due and outstanding to the Investor Education Protection Fund

	As at June 30, 2011 ₹	As at June 30, 2011 ₹	As at June 30, 2010 ₹	As at June 30, 2010 ₹
(11) Provisions				
Employee benefits		**6 80 58 516**		5 79 11 578
Proposed dividend		**73 03 66 560**		73 03 66 560
Corporate tax on dividend		**11 84 83 715**		12 13 04 756
		91 69 08 791		90 95 82 894

	2010 - 2011 ₹	2010 - 2011 ₹	2009 - 2010 ₹	2009 - 2010 ₹
(12) Other Income				
Interest on deposits (gross) (tax deducted at source ₹ 64 89 428) (Previous year : ₹ 91 88 430)		**6 40 14 224**		7 14 74 675
Interest on loan to fellow subsidiary (gross) (tax deducted at source ₹ 2 46 50 778) (Previous year : ₹ 89 96 317)		**24 65 07 784**		8 99 63 167
Interest on Income Tax Refund		—		9 56 13 398
Interest on loans from Employees		**1 07 23 177**		80 11 747
Sale of Scrap		**97 02 853**		67 39 994
Research and Development and other charges		**23 70 969**		26 23 043
Exchange Gains (Net)		**88 74 805**		—
Business process outsourcing income		**30 21 193**		1 08 83 984
Miscellaneous Income		**1 85 72 777**		12 16 377
		36 37 87 782		28 65 26 385
(13) Decrease/(Increase) in finished goods and work-in-process				
Opening Balance				
Work-in-process	**1 68 23 021**		63 85 544	
Finished goods (including excise duty ₹ 2 32 36 452) (Previous year : ₹ Nil)	**31 15 81 595**		32 66 82 616	
		32 84 04 616		33 30 68 160
Closing Balance				
Work-in-process	**1 63 49 659**		1 68 23 021	
Finished goods (including excise duty ₹ 21 97 764) (Previous year : ₹ 2 32 36 452)	**31 86 37 135**		31 15 81 595	
		33 49 86 794		32 84 04 616
		(65 82 178)		46 63 544

Schedules forming part of the accounts

	2010 - 2011 ₹	2010 - 2011 ₹	2009 - 2010 ₹	2009 - 2010 ₹
(14) Payments to and provisions for employees				
Salaries, wages and bonus		65 57 28 174		54 86 86 347
Contribution to provident and other funds		12 07 85 278		13 88 52 389
Staff welfare expenses		8 42 05 079		5 95 35 527
Less: Reimbursement of Salary and Benefits shared by group companies (Refer Note B.17 of Schedule 17)		(35 50 36 599)		(31 25 01 380)
		50 56 81 932		43 45 72 883
(15) Operating and other expenses				
Consumption of Stores and spare parts		4 97 07 004		3 48 54 305
Rent (Refer Note B.8 of Schedule 17)		1 98 25 426		1 98 84 690
Rates and Taxes				
Excise Duty (Refer Note B.6 of Schedule 17)		(2 10 38 688)		2 32 36 452
Others		14 93 301		12 76 518
Insurance		17 41 273		17 15 008
Power and fuel		6 12 87 600		6 19 07 739
Repairs and maintenance:				
Plant and machinery		2 95 79 928		2 65 96 707
Buildings		14 23 998		53 73 992
Others		34 43 832		2 07 174
Processing charges		23 18 59 790		10 33 88 046
Auditor's remuneration:				
As Auditor	51 32 600		43 25 000	
Tax Audit and Certification	16 75 000		16 50 000	
Reimbursement of Out-of-pocket expenses	1 88 147		2 00 000	
Service Tax	7 20 562		6 36 025	
Total Auditor's remuneration:		77 16 309		68 11 025
Trade Incentives		67 40 26 860		48 43 61 766
Advertising expenses		1 17 38 06 691		1 13 03 52 973
Freight, transport, warehousing and distribution charges		41 30 64 554		41 97 54 820
Commission to directors		20 00 000		20 00 000
Royalty		51 69 38 070		58 28 52 788
Turnover and Resale Tax		8 90 79 556		5 39 68 579
Travelling, Conveyance and Vehicle expenses		9 99 59 044		8 44 92 425
Communications		4 22 57 586		3 43 86 391
Business process outsourcing expenses		12 25 53 622		10 10 13 956
Computer expenses		1 20 29 471		1 82 77 707
Loss on sale/scrapping of fixed assets (Net)		1 92 33 533		61 09 955
Exchange Loss (Net)		—		1 27 18 460
Professional services		15 72 87 015		11 66 37 262
Distributor Coverage Expenses		19 52 17 429		14 48 50 939
Inventory written off Net of Insurance claim		2 34 48 071		2 88 45 725
Provision for doubtful debts		1 14 77 760		—
Others		17 35 07 479		11 54 49 712
		4 11 29 26 514		3 62 13 25 114
Less: Reimbursement of Expenses shared by group companies (Refer Note B.17 of Schedule 17)		(12 07 77 053)		(10 73 77 798)
		3 99 21 49 461		3 51 39 47 316
(16) Interest				
Bank Interest		2 59 958		2 50 780
		2 59 958		2 50 780

Schedules forming part of the accounts

(17) Significant Accounting Policies and Notes to Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis, in accordance with the Generally Accepted Accounting Principles and applicable accounting standards as notified under the Companies (Accounting Standards) Rules 2006.

Use of estimates

The preparation and presentation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual result and estimates are recognised in the year in which the results are known/materialised.

Revenue Recognition

Sale of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on the despatch of goods. Sales are exclusive of sales tax. Licence fee is accounted based on terms of the contract. Interest income is recognized on time proportion basis.

Fixed Assets and Depreciation/Amortization

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment, if any. Cost is inclusive of freight, duties, taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use. Depreciation is charged using straight-line method based on the useful lives of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

	Years
Buildings	20 - 30
Plant and machinery	5 - 18
Furniture and Fixtures	10 - 15
Office equipment	1 - 5
Moulds and Dies	1 - 3
Vehicles	4 - 8

Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Individual fixed assets costing less than ₹ 5000 are depreciated in full, in the year of purchase. Cost of leasehold land is amortised over the period of the lease or management estimate whichever is lower.

Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction in the carrying amount is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Inventories

Inventories consist of raw and packing materials, stores and spares, work in progress and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of Inventories is determined on weighted average basis. Cost

Schedules forming part of the accounts

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.

Employee benefits

(i) Post-employment Benefits

(a) Defined Contribution Plans:

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

— Provident Fund administered by the Regional Provident Fund Commissioner;

— Superannuation Fund as per Company policy administered by Company managed trust and

— State Defined Contribution Plans: Employer's Contribution to Employees' State Insurance.

(b) Defined Benefit Plans:

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

— Gratuity for all employees administered through trust.

Unfunded Plan: The Company has unfunded Defined Benefit Plans in the form of

— Post Retirement Medical Benefits (PRMB) as per its policy.

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

(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 on an accrual basis

(iii) Termination benefits and long service awards in terms of Company policy are recognized as an expense as and when incurred

(iv) The Actuarial gains and losses arising during the year are recognized in the Profit and Loss Account for the year.

(v) The Procter & Gamble Company, USA has a "Employee Stock Option Plan" whereby the 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.

Research and Development

Capital expenditure on Research and Development is capitalized as Fixed Assets. All revenue expenditure on Research and Development is charged off to the respective heads in the Profit and Loss account in the year in which it is incurred.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currencies are stated at the closing exchange rate. In the case of Monetary items covered by forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortised as expense or income over the life of the contract and the difference between the year end rate and rate on the date of the contract is recognised as exchange difference in the Profit and Loss Account. Gains/Losses on conversion/ translation have been recognised in the Profit and Loss Account.

Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax laws) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the year). Provision for taxation for the Company's financial year ended on June 30, 2011 is based on the results of the 9 months ended March 31, 2011 (Assessment year 2011-12) and for the 3 months ended June 30, 2011 (Assessment year 2012-13). The ultimate liability for the Assessment year 2011-12 is determined on the total

Schedules forming part of the accounts

income of the Company for the year ending on March 31, 2011. The deferred tax charge or credit and the corresponding deferred tax liabilities and/or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and are written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

Minimum Alternate Tax (MAT) credit entitlement is recognised as an asset by crediting the Profit and Loss Account to the extent there is convincing evidence that the same will be utilised within the stipulated period and disclosing an equivalent amount as an asset under ‘Loans and Advances’ in accordance with Guidance Note on “Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, 1961” issued by the Institute of Chartered Accountants of India.

The Fringe Benefit Tax has been calculated and accounted for in accordance with the provisions of the Income-tax Act, 1961 and the guidance note on Accounting for Fringe Benefits Tax issued by the Institute of Chartered Accountants of India. Pursuant to enactment of Finance Act, 2009, Fringe Benefit stands abolished w.e.f. April 01, 2009.

Borrowing cost

Borrowing costs directly attributable to acquisition or construction of qualifying assets (i.e. those fixed assets which necessarily take a substantial period of time to get ready for their intended use) are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term with the lessor.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a cash outflow will not be required to settle the obligation. Contingent Assets are not recognized in financial statements as they may never be realized.

B. NOTES TO ACCOUNTS

1. (a) Contingent Liabilities:

(i) In respect of Income Tax demands for which the company has preferred appeals with appropriate authorities - ₹39 44 92 098 (Previous year : ₹37 25 30 147). The liability is mainly on account of various disallowances by the Income Tax authorities on which assessee has preferred an appeal. These are on account of various grounds - primarily on account of advertisement expenses, tax holiday, etc.

(ii) In respect of Sales tax matters for which the company has preferred appeals with appropriate authorities - ₹13 25 41 268 (Previous year : ₹18 18 02 208). The liability is in respect to matters related to: non-submission of ‘’C” Forms/“F” Forms ₹9 90 02 084 (Previous year : ₹6 37 05 567), Incomplete accounts books ₹1 79 53 096 (Previous year : ₹1 79 53 096), Classification issues ₹58 21 917 (Previous year : ₹56 89 172), Product valuation issues ₹49 31 862 (Previous year : ₹8 96 70 537), and other miscellaneous issues ₹48 32 309 (Previous year : ₹47 83 836)

(iii) In respect of Excise, Customs and Service Tax matters for which the company has preferred appeals with appropriate authorities ₹3 32 79 483 (Previous year : ₹3 09 55 483). The liability is in respect to: classification matters ₹8 74 000 (Previous year : ₹8 74 000), valuation matters ₹95 06 590 (Previous year : ₹97 40 805) and applicability of service tax on testing charges ₹1 64 678 (Previous year : ₹1 64 678) and others ₹2 34 215 (Previous year : ₹2 34 215). Contingent liability for customs duty is towards the old advance licence matters which are under dispute.

Schedules forming part of the accounts

(iv) In respect of counter guarantees given to bank against guarantees given by bank - ₹33 61 54 658 (Previous year : ₹20 80 05 094). At the request of the Company, its bankers have issued guarantees to third parties for performance obligation under various commercial agreements. The Company has issued counter guarantees to the banks in respect of these guarantees.

(v) In respect of other claims - ₹13 14 000 (Previous year : ₹5 00 000). The Company is a party to various legal proceedings in the normal course of business. The Company does not expect the outcome of these proceedings to have a material adverse effect on the Company's financial conditions, results of operations or cash flows.

(vi) Custom duty liability for probable non-fulfillment of export obligation - ₹6 44 64 860 (Previous year : ₹1 95 50 000).

(b) Estimated amount of contracts remaining to be executed on capital account (net of advances) - ₹28 19 284 (Previous year : ₹3 31 51 397)

2. The Company has classified the various benefits provided to employees as under:

I. Defined Contribution Plans

a. Provident Fund

b. Superannuation Fund

c. State Defined Contribution Plans: Employer's Contribution to Employees' State Insurance

The Company has recognized the following amounts in the Profit and Loss Account:

	2010-2011	2009-2010
	₹	₹
– Employer's Contribution to Provident Fund	**5 20 80 712**	4 93 27 008
– Employer's Contribution to Superannuation Fund	**3 09 79 329**	5 53 49 847
– Employer's Contribution to Employees' State Insurance	**3 93 231**	2 95 105

The above amounts are included in Contribution to Provident and other Funds (Refer Schedule 14)

II. Defined Benefit Plans

a. Gratuity Fund (Funded Scheme): Gratuity is payable to all eligible employees of the Company on superannuation, death, permanent disablement and resignation in terms of the provisions of the Payment of Gratuity Act, 1972 or Company's scheme whichever is more beneficial. Benefits would be paid at the time of separation based on the last drawn base salary.

b. Post Retirement Medical Benefit (PRMB) (Non-funded Scheme): Under this scheme, employees get medical benefits subject to certain limits of amount, periods after retirement and types of benefits, depending on their grade at the time of retirement. Employees separated from the Company as part of early separation scheme are also covered under the scheme.

The disclosures as required under AS-15 are as under.

(A) Changes in the Present Value of Obligation

	Funded Scheme (₹)		**Non-Funded Scheme (₹)**	
	Gratuity		**Post Retirement Medical Benefit**	
	2010-2011	2009-2010	**2010-2011**	2009-2010
Present Value of Obligation as at opening date	**23 03 35 000**	23 83 21 000	**1 71 81 000**	1 50 03 000
Interest Cost	**1 93 34 000**	1 84 55 000	**13 83 000**	11 94 000
Current Service Cost	**1 94 55 000**	1 92 88 000	**5 34 000**	4 62 000
Benefits Paid	**(57 56 000)**	(2 65 16 000)	**(18 18 000)**	(8 89 000)
Actuarial (gain)/loss on Obligations	**1 18 30 000**	(1 92 13 000)	**44 03 000**	14 11 000
Present Value of Obligation as at closing date	**27 51 98 000**	23 03 35 000	**2 16 83 000**	1 71 81 000

Schedules forming part of the accounts

(B) Changes in the Fair Value of Plan Assets

(For Funded Scheme)

	Funded Scheme (₹) Gratuity 2010-2011	Funded Scheme (₹) Gratuity 2009-2010
Fair Value of Plan Assets as at opening date	**27 34 12 000**	29 13 93 000
Expected Actual Return on Plan Assets	**2 16 43 000**	2 22 51 000
Actuarial Gains and (Losses)	**(1 23 86 000)**	(1 37 16 000)
Contributions	**—**	—
Benefits Paid	**(57 56 000)**	(2 65 16 000)
Assets Distributed on Settlement	**—**	—
Fair Value of Plan Assets as at closing date	**27 69 13 000**	27 34 12 000

(C) Amount recognized in the Balance Sheet

	Funded Scheme (₹) Gratuity		Non-Funded Scheme (₹) Post Retirement Medical Benefit	
	2010-2011	2009-2010	**2010-2011**	2009-2010
Present Value of Obligation as at closing date	**27 51 98 000**	23 03 35 000	**2 16 83 000**	1 71 81 000
Fair Value of Plan Assets as at closing date	**27 69 13 000**	27 34 12 000	**—**	—
Liability/(Asset) recognized in the Balance Sheet	**(17 15 000)**	(4 30 77 000)	**2 16 83 000**	1 71 81 000

Included in Loans and Advances (Refer Schedule 9) & Provisions (Refer Schedule 11)

(D) Expenses recognized in the Profit and Loss Account

	Gratuity 2010-2011	Gratuity 2009-2010	Post Retirement Medical Benefit 2010-2011	Post Retirement Medical Benefit 2009-2010
Current Service Cost	**1 94 55 000**	1 92 88 000	**5 34 000**	4 62 000
Interest Cost	**1 93 34 000**	1 84 55 000	**13 83 000**	11 94 000
Expected Return on Plan Assets	**(2 16 43 000)**	(2 22 51 000)	**—**	—
Net actuarial (gain)/loss recognized in the period	**2 42 16 000**	(54 97 000)	**44 03 000**	14 11 000
Total Expenses recognized in the Profit and Loss Account	**4 13 62 000**	99 95 000	**63 20 000**	30 67 000

(E) Category of Plan Assets

Plan assets as a percentage of Total plan assets in respect of Gratuity are as follows:

	Gratuity 2010-2011	Gratuity 2009-2010
Public Sector Unit	**39%**	32%
Government of India Securities	**12%**	13%
State Government Securities	**33%**	30%
Special Deposit Scheme	**11%**	11%
Private Sector Unit	**5%**	14%

Schedules forming part of the accounts

(F) Sensitivity of Results to Medical Inflation Rate

Medical Inflation Rate	Current Service + Interest Cost (₹)		Present Value of Defined Benefit Obligation (₹)	
	2010-2011	2009-2010	**2010-2011**	2009-2010
Effect of 1% increase 6.5% (Previous year 6.5%)	**26 97 000**	19 47 000	**2 43 92 000**	1 93 98 000
Effect of 1% decrease 4.5% (Previous year 4.5%)	**19 95 000**	14 42 000	**1 95 20 000**	1 54 15 000

(G) Actuarial Assumptions

In respect of the aforesaid defined benefit plans, the management has estimated the liability based on actuarial valuation and is based on following assumptions:

	Funded Scheme - Gratuity		Non-Funded Scheme - Post Retirement Medical Benefit	
	2010-2011	2009-2010	**2010-2011**	2009-2010
Discount rate (per annum)	**8.60%**	8.50%	**8.60%**	8.50%
Average Salary increase rate	**7.00%**	7.00%	**N/A**	N/A
Rate of Return on Plan Assets (For Funded Scheme)	**8.00%**	8.00%	**N/A**	N/A
Medical Inflation Rate	**N/A**	N/A	**5.50%**	5.50%
Expected Retirement age of employees (years)	**60**	60	**60**	60

Withdrawal : Plan Members are assumed to withdraw in accordance with the following table:

Age	Withdrawal Rate(%)			
	2010-2011	2009-2010	**2010-2011**	2009-2010
Upto 45 years	**5%**	5%	**5%**	5%
Above 45 years	**3%**	3%	**3%**	3%

Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, security, promotion and other relevant factors such as supply and demand in the employment market.

Experience History		Funded Scheme - Gratuity (₹)	Non-Funded Scheme - Post Retirement Medical Benefit (₹)
Defined Benefit Obligation as at closing date	**June 30, 2011**	**(27 51 98 000)**	**(2 16 83 000)**
	June 30, 2010	(23 03 35 000)	(1 71 81 000)
	June 30, 2009	(23 83 21 000)	(1 50 03 000)
	June 30, 2008	(23 37 06 000)	(1 39 96 000)
Plan Assets as at closing date	**June 30, 2011**	**27 69 13 000**	**—**
	June 30, 2010	27 34 12 000	—
	June 30, 2009	29 13 93 000	—
	June 30, 2008	21 66 39 000	—
Funded Status Excess/(shortfall)	**June 30, 2011**	**17 15 000**	**(2 16 83 000)**
	June 30, 2010	4 30 77 000	(1 71 81 000)
	June 30, 2009	5 30 72 000	(1 50 03 000)
	June 30, 2008	(1 70 67 000)	(1 39 96 000)
Experience Gain/(Loss) adjustments on plan liabilities	**June 30, 2011**	**(1 45 42 000)**	**(47 06 000)**
	June 30, 2010	(1 22 01 000)	5 29 000
	June 30, 2009	(2 35 93 000)	11 77 000
	June 30, 2008	(2 32 91 000)	—

Schedules forming part of the accounts

Experience History		Funded Scheme - Gratuity (₹)	Non-Funded Scheme - Post Retirement Medical Benefit (₹)
Experience Gain/(Loss) adjustments on plan assets	**June 30, 2011**	**(1 23 86 000)**	**—**
	June 30, 2010	(1 37 16 000)	—
	June 30, 2009	2 53 37 000	—
	June 30, 2008	3 21 57 000	—
Actuarial Gain/(Loss) due to change on assumptions	**June 30, 2011**	**27 12 000**	**3 03 000**
	June 30, 2010	70 12 000	(19 40 000)
	June 30, 2009	1 23 44 000	(9 75 000)
	June 30, 2008	46 57 000	—

The contribution expected to be made by the Company during financial year ending June 30, 2012 has not been ascertained.

3. Computation of Net Profit in accordance with Section 349 and Section 309(5) of the Companies Act, 1956:

	2010-2011 ₹	2009-2010 ₹
Profit before Tax	**1 76 74 18 847**	2 33 62 42 652
Add: Managerial Remuneration	**8 17 66 190**	4 95 15 440
Add: Loss on sale of assets	**1 92 33 533**	61 09 955
Add: Provision for Doubtful Debts	**1 14 77 760**	—
Net profit u/s. 349 for the purpose of Directors' Commission	**1 87 98 96 330**	2 39 18 68 047
Maximum remuneration permissible to Managing Director under the Act at 5%	**9 39 94 816**	23 91 86 805
Total Managerial Remuneration charged to accounts	**7 97 66 190**	4 75 15 440
Commission permissible to non-whole time Directors at 1%	**1 87 98 963**	2 39 18 680
Commission restricted as determined by the Board of Directors	**20 00 000**	20 00 000

4. (a) Managerial Remuneration under Section 198 of the Companies Act, 1956

	2010-2011 ₹	2009-2010 ₹
Salary	**7 92 46 194**	3 84 89 012
Perquisites in cash or in kind	**5 19 996**	90 26 428
Commission to Non Executive directors	**20 00 000**	20 00 000
Total Managerial Remuneration*	**8 17 66 190**	4 95 15 440

* Refer to note B.15 below

(b) The above Managerial Remuneration includes ₹5 02 00 867 (Previous year : ₹3 56 88 847) cross charged to Gillette India Limited and Procter and Gamble Home Products Limited in terms of the common service agreement referred to in Note B.17 below.

The above Managerial Remuneration includes ₹1 55 37 854 (Previous year : ₹Nil) cross charged to Procter & Gamble International Operations SA Singapore Branch.

(c) The above Managerial Remuneration excludes ₹26 34 461 (Previous year : ₹27 52 204) cross charged from Gillette India Limited in terms of the common service agreement referred to in Note B.17 below.

Schedules forming part of the accounts

5. (a) Sales:

Class of Goods	Units	2010-2011 Quantity*	2010-2011 Value ₹	2009-2010 Quantity*	2009-2010 Value ₹
Ointments and Creams	Tonnes	1 550	1 64 21 90 609	1 477	1 61 42 26 079
Cough Drops	Tonnes	5 737	1 56 07 88 131	4 874	1 31 79 89 390
Liquids	Kls.	6.47	23 61 71 201	5.71	19 82 12 949
Tablets	Millions	473	69 61 38 459	476	68 04 39 614
Personal Products, Toilet Preparations, etc.	Tonnes	21 049	6 23 15 08 624	16 077	5 32 42 74 619
Others			33 92 654		—
			10 37 01 89 678		9 13 51 42 651

* includes item given as samples/gifts and shortages/damages.

(b) Consumption of raw & packaging materials:

	Units	2010-2011 Quantity	2010-2011 Value ₹	2009-2010 Quantity	2009-2010 Value ₹
Pulp, Chemicals, waxes and oils	Tonnes	34 708	1 84 11 21 124	25 894	1 68 66 09 368
Sugar and liquid glucose	Tonnes	6 864	25 29 58 817	5 243	11 68 01 261
Foils	Tonnes	507	12 35 88 297	451	9 74 39 324
Containers, cartons, boxes etc.	Millions	511	77 93 24 585	461	48 18 86 475
			2 99 69 92 823		2 38 27 36 428

(c) Consumption of raw & packaging materials, stores & spares:

	2010-2011 ₹	2010-2011 Percentage	2009-2010 ₹	2009-2010 Percentage
Raw and packaging materials:				
Indigenously obtained	1 68 88 91 012	56.4	1 20 83 34 349	50.7
Imported at landed cost	1 30 81 01 811	43.6	1 17 44 02 079	49.3
	2 99 69 92 823	100.0	2 38 27 36 428	100.0
Stores and spare parts:				
Indigenously obtained	3 34 09 319	67.2	85 39 208	24.5
Imported at landed cost	1 62 97 685	32.8	2 63 15 097	75.5
	4 97 07 004	100.0	3 48 54 305	100.0

(d) Opening and closing stock of Finished Goods:

	Units		Opening Quantity	Opening Value ₹	Closing Quantity	Closing Value ₹
Ointments and Creams	Tonnes	2010-2011	165	9 04 04 233	131	5 47 87 619
		2009-2010	274	14 55 99 399	165	9 04 04 233
Cough Drops	Tonnes	2010-2011	220	2 66 00 108	425	6 36 70 187
		2009-2010	508	4 60 35 073	220	2 66 00 108
Liquids	Kls.	2010-2011	0.15	28 06 422	0.39	50 36 925
		2009-2010	0.61	92 28 341	0.15	28 06 422
Tablets	Millions	2010-2011	34	1 87 87 952	46	2 16 16 358
		2009-2010	47	1 83 46 058	34	1 87 87 952
Personal Products, Toilet Preparations, etc.	Tonnes	2010-2011	775	17 29 82 880	1 137	17 35 26 047
		2009-2010	656	10 74 73 745	775	17 29 82 880
Total		2010-2011		31 15 81 595		31 86 37 135
		2009-2010		32 66 82 616		31 15 81 595

Schedules forming part of the accounts

(e) Purchase of Finished goods:

	Units	2010-2011 Quantity	2010-2011 Value ₹	2009-2010 Quantity	2009-2010 Value ₹
Personal Products, Toilet Preparations, etc.	Tonnes	5 269	90 53 10 307	2 889	40 84 45 983
			90 53 10 307		40 84 45 983

(f) Production in respect of Goods Manufactured - Licensed and installed capacities and actual production:

	Units of Measurement	Annual Capacity Licensed 2010-2011	Licensed 2009-2010	Installed (three shift basis) 2010-2011	Installed 2009-2010	Actual Production 2010-2011	Actual Production 2009-2010
Formulations:							
Ointments & Creams	Tonnes	3 300	3 300	3 300	3 300	1 516	1 367
Cough Drops	Tonnes	7 020	6 480	7 020	6 480	5 942	4 585
Liquids	Kls	25	25	25	25	6.71	5.25
Tablets	Millions	1 198	1 198	1 198	1 198	485	464
Personal Products, Toilet Preparations, etc.	Tonnes	16 700	16 700	16 643	14 456	16 142	13 307

Notes:

1. The installed capacities as at the year-end are as certified by the management.
2. Actual production includes production under manufacturing arrangement with third parties.

(g) Value of Direct Imports on C.I.F. basis (including in transit):

	2010-2011 ₹	2009-2010 ₹
Raw & Packing materials	1 03 44 70 432	84 38 81 840
Spare parts	1 62 97 685	2 63 15 097
Capital goods	8 56 79 225	24 02 91 904
	1 13 64 47 342	1 11 04 88 841

(h) Expenditure in foreign currency:

	2010-2011 ₹	2009-2010 ₹
Travel	4 17 00 219	3 36 18 686
Professional Consultancy fees	23 55 311	58 57 981
Computer expenses	76 88 585	1 76 06 182
Retirals & Other Reimbursement	23 43 80 780	1 61 16 992
Business Process outsourcing expenses	12 25 53 622	10 10 13 956
Relocation expenses	15 93 86 241	5 11 02 823
Other	35 18 785	16 41 592
	57 15 83 543	22 69 58 212

Schedules forming part of the accounts

		2010-2011	2009-2010
(i)	**Remittance made on account of dividend in foreign currency during the year:**		
	Number of non-resident shareholders	2	2
	Number of equity shares on which dividend were paid	2 23 10 090	2 23 10 090
	Dividend remitted-net of tax-in respect of year ended:		
	June 30, 2010 Final (₹)	50 19 77 025	—
	June 30, 2009 Final (₹)	—	50 19 77 025

The Company does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by non-resident shareholders.

		2010-2011 ₹	2009-2010 ₹
(j)	**Earnings in foreign exchange:**		
	Business process outsourcing income	30 21 193	1 08 83 984
	Research & Development and other cross charges	23 70 969	26 23 043
	Exports of goods calculated on f.o.b. basis (excludes Rupee exports to Nepal and Bhutan ₹5 06 40 190 - Previous year : ₹6 49 07 746)	4 80 69 870	9 69 21 741
	Others (freight, insurance etc.)	27 03 680	90 50 066
		5 61 65 712	11 94 78 834

6. Excise duty deducted from turnover represents amount of excise duty collected by the company on sale of goods. Excise duty shown under Schedule 15 - operating and other expenses represents difference in amount of excise duty on closing stock and opening stock of finished goods.

7. There are no outstanding derivative instruments as at year end.

Foreign currency exposures that have not been hedged by the company by a derivative instrument or otherwise are given below:

		Currency	As at June 30, 2011	As at June 30, 2010
(a)	**Amounts receivable in foreign currency**			
	Export of goods	₹	39 58 752	1 43 53 745
		USD	88 419	3 08 031
	Reimbursable expenses receivable	₹	1 33 50 714	28 25 158
		SGD	—	4 739
		USD	2 98 255	71 581
	Capital and Spares	₹	6 06 997	15 45 158
		EUR	—	26 061
		USD	13 610	542

Schedules forming part of the accounts

	Currency	As at June 30, 2011	As at June 30, 2010
(b) Amounts payable in foreign currency			
Import of goods and services	₹	**9 97 17 296**	14 91 33 789
	USD	**19 18 644**	32 53 658
	EUR	**3 160**	3 160
	SGD	**3 60 133**	—
	AUD	**—**	36 639
Reimbursable expenses payable	₹	**12 12 97 717**	13 25 97 328
	USD	**26 83 375**	28 40 645
	GBP	**11 342**	—
	HKD	**43 056**	—
	SGD	**450**	12 337
Capital and Spares	₹	**1 61 54 273**	1 79 08 419
	JPY	**21 06 965**	51 61 045
	EUR	**22 555**	98 130
	USD	**3 00 071**	1 96 824
	GBP	**—**	8 120

8. The Company has taken on lease guesthouses, accomodation for employees and godowns for storage of inventories, with an option of renewal at the end of the lease term and escalation clause in some of the cases. These leases can be terminated with a prior notice as per terms and conditions of the respective leave and licence agreements with the lessor. Lease payments amounting to ₹4 88 39 305 (Previous year : ₹5 13 85 433) have been charged to the Profit and Loss Account for the year. There are no "non cancellable" lease agreements.

9. **Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:**

   (a) No payments were due and outstanding to suppliers covered under the micro small and Medium Enterprises Development Act, 2006 as at the end of the current and previous accounting year on account of Principal and Interest respectively.

   (b) No interest was paid in the current and the previous accounting year.

   (c) No interest was payable at the end of the current and previous accounting year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.

   (d) No amount of interest was accrued and unpaid at the end of the current and previous accounting year.

   The above information and that given in Schedule 10 "Current Liabilities" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

10. **Sundry Debtors include amount due from companies under the same management as under:**

	As at June 30, 2011 ₹	As at June 30, 2010 ₹
Procter & Gamble Bangladesh Pvt. Ltd.	**—**	8 35 554
Procter & Gamble International Operations SA Singapore Branch	**39 49 465**	1 39 27 217
Procter & Gamble Home Products Ltd.	**80 78 694**	16 63 588
	1 20 28 159	1 64 26 359

Schedules forming part of the accounts

11. (a) Loans and Advances include amount due from companies under the same management as under:

	As at June 30, 2011 ₹	**Maximum Balance ₹**	As at June 30, 2010 ₹	Maximum Balance ₹
P&G Europe S.A., SG Branch	**18 99 070**	**18 99 070**	15 21 469	24 01 358
P&G Int'l Operations SA, ROHQ	**3 22 061**	**3 23 655**	2 67 036	2 67 036
The Procter & Gamble Manufacturing Co.	**—**	**—**	—	17 89 277
Procter & Gamble distributing LLC.	**—**	**4 49 757**	—	—
P&G Innovation Godo Kaisha	**—**	**10 06 497**	—	—
P&G Ceemea - A Division of P&G International Operations SA	**—**	**3 06 000**	—	—
PT P&G Home Products Indonesia	**2 39 475**	**8 32 195**	85 007	12 62 776
PT P&G Operations Indonesia	**25 68 036**	**25 80 743**	—	—
Procter & Gamble US Business Services Company	**14 05 924**	**14 05 924**	91 268	1 45 706
Procter & Gamble Australia Pty. Ltd.	**2 68 163**	**2 69 490**	1 53 056	1 53 056
Procter & Gamble (Guangzhou) Ltd.	**17 97 241**	**28 72 477**	19 69 430	31 98 233
Procter & Gamble UK	**—**	**4 24 766**	4 24 998	4 24 998
Procter & Gamble Philippines Inc.	**—**	**—**	—	95 062
Procter & Gamble Kabushiki Kaisha	**90 502**	**90 950**	80 287	80 287
Procter & Gamble International Operations SA Singapore Branch	**1 88 93 545**	**1 88 97 838**	2 10 29 901	2 10 29 901
Procter & Gamble International Operations SA	**2 01 175**	**53 17 669**	1 91 515	1 91 515
Procter & Gamble Manufacturing (Thailand) Ltd.	**5 84 960**	**5 84 960**	74 724	1 34 999
Procter & Gamble Technical Centers Ltd.	**25 673**	**51 600**	—	—
Procter & Gamble Technology (Beijing) Co.	**—**	**64 745**	—	1 26 076
Gillette India Limited	**5 61 64 485**	**7 70 11 753**	3 24 66 584	3 76 66 555
Gillette Diversified Operations Private Ltd.	**5 20 334**	**10 14 915**	—	—
Wella India Hair cosmetics Pvt. Ltd.	**16 61 665**	**27 93 029**	6 19 521	16 13 002
Procter & Gamble Tuketim Mallari Sanayl	**2 85 725**	**2 87 139**	2 63 752	2 63 752
Procter & Gamble Distributing (Philippines) Inc.	**1 24 181**	**1 24 460**	54 075	54 075
Procter & Gamble Home Products Ltd. (Loan a/c.)	**3 06 71 06 103**	**3 86 19 24 363**	2 00 67 00 699	2 00 67 00 699
Procter & Gamble Home Products Ltd. (others)	**30 74 69 001**	**16 59 22 784**	17 24 46 376	20 80 12 105
	3 46 16 27 319		2 23 84 39 698	

(b) Loans and Advances includes

Car Loan to a Director amounting to ₹Nil (Previous year : ₹15 33 049) which was approved by the Ministry of Corporate Affairs vide its letter no. 6/17/2007-CL.VI dated November 1, 2007. The maximum balance outstanding during the year amounted to ₹15 33 049 (Previous year : ₹17 80 001).

Schedules forming part of the accounts

12. Related Party Disclosures:

The Group Companies of The Procter & Gamble Company USA include, among others, Procter & Gamble India Holdings BV; Procter & Gamble Iron Horse Holding BV; Procter & Gamble Eastern Europe LLC; Procter & Gamble Nordic LLC; Procter & Gamble Global Holdings Limited; Procter & Gamble Luxembourg Global SARL; Procter & Gamble International SARL; Procter & Gamble India Holdings Inc.; Procter & Gamble International Operations, SA; Gillette Group (Europe) Holdings, BV; Procter & Gamble Canada Holding BV; Procter & Gamble Overseas Canada, BV; Procter & Gamble Overseas India BV; Procter & Gamble Asia Holding BV; Rosemount LLC.

(a) Parties where control exists:

The Procter and Gamble Company, USA - Ultimate Holding Company

Procter and Gamble Asia Holding, BV, The Netherlands - Holding Company

(b) Other related parties with whom transactions have taken place during the year

(i) Fellow Subsidiaries:

Procter & Gamble Home Products Ltd.

Wella India Hair Cosmetics Pvt. Ltd.

Gillette India Limited

Procter & Gamble Manufacturing (Thailand) Ltd.

Procter & Gamble Japan K.K.

P&G Europe S.A., SG Branch (formerly Procter & Gamble Asia Pte. Ltd.)

Procter & Gamble Australia Pty. Ltd.

Procter & Gamble US Business Services Company

The P&G Distributing LLC

PT P&G Operations Indonesia

Fameccanica Machinery (Shanghai) Co.

Procter & Gamble International Operations SA Singapore Branch
(formerly Procter & Gamble International Operations Pte. Ltd.)

PT P&G Home Products Indonesia

Procter & Gamble Tuketim Mallari Sanayl

Procter & Gamble (Guangzhou) Ltd.

Procter & Gamble UK

Procter & Gamble Manufacturing GMBH

P&G Int'l Operations SA, ROHQ (Formerly Procter & Gamble Asia Pte. Ltd. (MROH))

Procter & Gamble Distributing (Philippines) Inc.

Procter & Gamble Bangladesh Pvt. Ltd.

Procter & Gamble International Operations SA

(ii) Key Managerial Personnel of the Company	**No. of shares held**
Mr. Shantanu Khosla, Managing Director	67 (Previous year : 67)

All the employees of the company including it's managing directors are given the right to purchase shares of the ultimate holding company - The Procter and Gamble Company, USA under its Employee Stock Option Plan.

Under the above plan Mr. Shantanu Khosla has been granted the right to purchase Nil shares (Previous year : 100) during the year.

Schedules forming part of the accounts

(c) Transactions during the year

(Amount in ₹)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
Sales & Income					
Goods					
– Procter & Gamble International Operations Pte. Ltd.	**2010-2011**	**—**	**2 04 64 792**	**—**	**2 04 64 792**
– Procter & Gamble Bangladesh Pvt. Ltd.	**2010-2011**	**—**	**1 96 06 977**	**—**	**1 96 06 977**
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**1 07 01 780**	**—**	**1 07 01 780**
– Procter & Gamble International Operations SA Singapore Branch	2009-2010	—	9 70 51 636	—	9 70 51 636
– Others	2009-2010	—	53 98 505	—	53 98 505
Assets/Spares					
– Procter & Gamble Manufacturing (Thailand) Ltd.	**2010-2011**	**—**	**5 87 854**	**—**	**5 87 854**
Relocation and other reimbursements					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**22 85 38 803**	**—**	**22 85 38 803**
– Gillette India Ltd.	**2010-2011**	**—**	**16 32 66 661**	**—**	**16 32 66 661**
– Others	**2010-2011**	**—**	**4 66 52 204**	**—**	**4 66 52 204**
– Procter & Gamble Home Products Ltd.	2009-2010	—	24 82 51 449	—	24 82 51 449
– Gillette India Ltd.	2009-2010	—	12 76 79 114	—	12 76 79 114
– Others	2009-2010	1 59 11 985	3 53 11 667	—	5 12 23 652
Business Process Outsourcing income					
– P&G Europe S.A., SG Branch	**2010-2011**	**—**	**30 21 193**	**—**	**30 21 193**
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	1 08 83 984	—	1 08 83 984
Retirals reimbursements					
– Procter & Gamble (Guangzhou) Ltd.	**2010-2011**	**—**	**39 26 019**	**—**	**39 26 019**
– Procter & Gamble International Operations SA Singapore Branch	**2010-2011**	**—**	**33 76 692**	**—**	**33 76 692**
– The P&G Company, USA	**2010-2011**	**30 56 958**	**—**	**—**	**30 56 958**
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**80 81 721**	**—**	**80 81 721**
– Others	**2010-2011**	**—**	**82 42 241**	**—**	**82 42 241**
– Procter & Gamble (Guangzhou) Ltd.	2009-2010	—	37 26 617	—	37 26 617
– P&G Europe S.A., SG Branch	2009-2010	—	27 84 743	—	27 84 743
– The P&G Company, USA	2009-2010	35 99 492	—	—	35 99 492
– Procter & Gamble Home Products Ltd.	2009-2010	—	99 80 140	—	99 80 140
– Others	2009-2010	—	88 53 581	—	88 53 581
Reimbursement of expenses shared by group cos.					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**72 08 53 205**	**—**	**72 08 53 205**
– Gillette India Limited	**2010-2011**	**—**	**23 44 12 947**	**—**	**23 44 12 947**
– Procter & Gamble Home Products Ltd.	2009-2010	—	55 89 24 281	—	55 89 24 281
– Gillette India Limited	2009-2010	—	19 29 29 081	—	19 29 29 081

Schedules forming part of the accounts

(Amount in ₹)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Total
Interest income					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**24 65 07 784**	**—**	**24 65 07 784**
– Others	**2010-2011**	**—**	**—**	**1 36 839**	**1 36 839**
– Procter & Gamble Home Products Ltd.	2009-2010	—	8 99 63 167	—	8 99 63 167
– Others	2009-2010	—	—	1 92 424	1 92 424
Purchases & Expenses					
Goods					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**99 96 41 877**	**—**	**99 96 41 877**
– Others	**2010-2011**	**—**	**4 92 12 950**	**—**	**4 92 12 950**
– Procter & Gamble Home Products Ltd.	2009-2010	—	35 47 04 745	—	35 47 04 745
– Others	2009-2010	—	6 01 60 324	—	6 01 60 324
Royalty					
– The P&G Company, USA	**2010-2011**	**51 69 38 070**	**—**	**—**	**51 69 38 070**
– The P&G Company, USA	2009-2010	58 28 52 788	—	—	58 28 52 788
Assets/Spares					
– The P&G Distributing LLC	**2010-2011**	**—**	**1 68 79 036**	**—**	**1 68 79 036**
– Procter & Gamble Kabushiki Kaisha	**2010-2011**	**—**	**96 73 676**	**—**	**96 73 676**
– Fameccanica Machinery (Shanghai) CO.	**2010-2011**	**—**	**1 54 20 525**	**—**	**1 54 20 525**
– Others	**2010-2011**	**—**	**59 40 990**	**—**	**59 40 990**
– Procter & Gamble (Guangzhou) Ltd.	2009-2010	—	10 51 68 490	—	10 51 68 490
– P&G Europe S.A., SG Branch	2009-2010	—	2 29 16 562	—	2 29 16 562
– Procter & Gamble Kabushiki Kaisha	2009-2010	—	2 72 09 662	—	2 72 09 662
– Fameccanica Machinery (Shanghai) CO.	2009-2010	—	3 18 51 041	—	3 18 51 041
Business Process Outsourcing expenses					
– P&G Europe S.A., SG Branch	**2010-2011**	**—**	**4 61 63 156**	**—**	**4 61 63 156**
– P&G Int'l Operations SA, ROHQ	**2010-2011**	**—**	**7 63 90 466**	**—**	**7 63 90 466**
– Procter & Gamble Asia Pte. Ltd.	2009-2010	—	4 59 96 645	—	4 59 96 645
– P&G Int'l Operations SA, ROHQ	2009-2010	—	5 50 17 311	—	5 50 17 311
Relocation and other reimbursements					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**13 94 23 135**	**—**	**13 94 23 135**
– Gillette India Limited	**2010-2011**	**—**	**8 89 53 080**	**—**	**8 89 53 080**
– The P&G Company, USA	**2010-2011**	**23 27 31 232**	**—**	**—**	**23 27 31 232**
– Others	**2010-2011**	**—**	**1 21 69 266**	**—**	**1 21 69 266**
– Procter & Gamble Home Products Ltd.	2009-2010	—	20 70 00 506	—	20 70 00 506
– The P&G Company, USA	2009-2010	—	2 38 33 630	—	2 38 33 630
– Others	2009-2010	36 28 963	3 33 95 462	—	3 70 24 425

Schedules forming part of the accounts

(Amount in ₹)

Nature of transactions		**Holding Company & Ultimate Holding Company**	**Fellow Subsidiary Companies**	**Key Management Personnel**	**Total**
Reimbursement of expenses shared by group cos.					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**36 73 90 958**	**—**	**36 73 90 958**
– Gillette India Limited	**2010-2011**	**—**	**13 33 17 080**	**—**	**13 33 17 080**
– Procter & Gamble Home Products Ltd.	2009-2010	—	21 10 92 596	—	21 10 92 596
– Gillette India Limited	2009-2010	—	9 82 65 545	—	9 82 65 545
Remuneration (Refer Note B.4 & B.17)					
– S. Khosla	**2010-2011**	**—**	**—**	**7 97 66 190**	**7 97 66 190**
– S. Khosla	2009-2010	—	—	4 75 15 440	4 75 15 440
Loans					
Loans Given					
– Procter & Gamble Home Products Ltd.	**2010-2011**	**—**	**1 06 04 05 403**	**—**	**1 06 04 05 403**
– Procter & Gamble Home Products Ltd.	2009-2010	—	25 73 22 206	—	25 73 22 206
Loans Repaid					
– S. Khosla	**2010-2011**	**—**	**—**	**15 33 945**	**15 33 945**
– S. Khosla	2009-2010	—	—	2 46 952	2 46 952
Dividend Remitted/Paid	**2010-2011**	**47 74 93 943**	**3 84 25 950**	**1 508**	**51 59 21 401**
	2009-2010	47 74 93 943	2 44 83 083	1 508	50 19 78 534

(d) Outstandings

(Amount in ₹)

Nature of transactions		**Holding Company & Ultimate Holding Company**	**Fellow Subsidiary Companies**	**Key Management Personnel**	**Total**
Payable					
– Procter & Gamble Home Products Ltd.	**as on June 30, 2011**	**—**	**16 51 18 902**	**—**	**16 51 18 902**
– The P&G Company, USA	**as on June 30, 2011**	**39 30 08 312**	**—**	**—**	**39 30 08 312**
– Others	**as on June 30, 2011**	**—**	**12 73 90 593**	**—**	**12 73 90 593**
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	18 93 19 408	—	18 93 19 408
– The P&G Distributing LLC	as on June 30, 2010	—	9 01 18 237	—	9 01 18 237
– The P&G Company, USA	as on June 30, 2010	40 41 70 344	—	—	40 41 70 344
– Others	as on June 30, 2010	—	12 32 76 498	—	12 32 76 498
Receivables					
– Procter & Gamble Home Products Ltd.	**as on June 30, 2011**	**—**	**31 55 47 694**	**—**	**31 55 47 694**
– Gillette India Limited	**as on June 30, 2011**	**—**	**5 61 64 485**	**—**	**5 61 64 485**
– Others	**as on June 30, 2011**	**—**	**3 48 37 195**	**—**	**3 48 37 195**
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	17 41 09 964	—	17 41 09 964
– Gillette India Limited	as on June 30, 2010	—	3 24 66 584	—	3 24 66 584
– Procter & Gamble International Operations SA Singapore Branch	as on June 30, 2010	—	2 79 42 300	—	2 79 42 300
– Others	as on June 30, 2010	—	66 95 231	15 33 049	82 28 280
Loans					
– Procter & Gamble Home Products Ltd.	**as on June 30, 2011**	**—**	**3 06 71 06 103**	**—**	**3 06 71 06 103**
– Procter & Gamble Home Products Ltd.	as on June 30, 2010	—	2 00 67 00 699	—	2 00 67 00 699

Schedules forming part of the accounts

13. The Company operates in a single reportable business segment i.e. Manufacturing and Marketing of Health and Hygiene Products and one reportable Geographical segment i.e. within India.

14. (a) International Stock Ownership Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has a "International Stock Ownership Plan" (employee share purchase plan) whereby all permanent employees of the Company have been given a right to purchase shares of the company. Every employee who opts for the scheme contributes up to a specified percentage (upto 15%) of his 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 to staff cost.

The shares of The Procter & Gamble Company, USA are listed with New York Stock Exchange and are purchased on behalf of the employees at market price on the date of purchase.

During the year ended June 30, 2011, 5 058.34 shares (Previous year : 5 558.35 shares) were purchased by employees at weighted average fair value of ₹2 839 (Previous year : ₹2 799) per share.

The Company's contribution during the year on such purchase of shares amounting to ₹37 89 582 (Previous year : ₹31 88 450) has been charged under Payment to and Provisions for employees under Schedule 14.

(b) Employees Stock Options Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has a "Employee Stock Option Plan" whereby the employees covered by the plan are granted an option to purchase shares of the ultimate holding company i.e. -The Procter and Gamble Company, USA at a fixed price (grant price) for a fixed period 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 10 years life cycle.

Stock compensation expense of ₹2 37 18 415 (Previous year : ₹Nil) has been charged under Payment to and Provisions for employees under Schedule 14.

Fair Value of shares at Grant date	**15-Sep-10**	**$61.11**
	28-Feb-11	**$63.05**
	15-Sep-09	$55.03
	26-Feb-10	$63.28

The other disclosures in respect of the plans for the year ended June 30, 2011 are:

		Shares arising out of option		Amount in USD		Remaining Contractual life (years)	
		2010-2011	2009-2010	**2010-2011**	2009-2010	**2010-2011**	2009-2010
Outstanding at the beginning of the year		**1 57 367**	1 20 840	**59.98**	51.10	**7.6**	9.2
Granted during the year ended June 30, 2011:							
	15-Sep-10	**5 590**		**61.11**		**10.0**	
	28-Feb-11	**15 961**		**63.05**		**10.0**	
	15-Sep-09		3 442		55.03		10.0
	26-Feb-10		12 124		63.28		10.0
Forfeited during the year		**4 557**	100	**—**	—	**—**	—
Transferred/Adjusted during the year		**6 457**	24 262		51.10	**7.6**	9.2
Exercised during the year		**4 928**	3 201	**66.87**	—	**—**	—
Outstanding at the end of the year		**1 62 976**	1 57 367	**63.57**	59.98	**6.6**	7.6
Exercisable at the end of the year		**1 00 556**	69 734	**63.57**	59.98	**6.6**	7.6

Schedules forming part of the accounts

15. In terms of rules applicable to the employees whose services have been seconded to Procter & Gamble subsidiaries abroad, ₹ Nil (Previous year : ₹ 2 96 875) has been contributed to Provident Fund/Superannuation trusts in respect of Mr. P. Agarwal.

16. Earnings per share (EPS)

	2010-2011 ₹	2009-2010 ₹
Calculation of Basic and diluted earnings per share (₹)		
Profit After Taxation	**1 50 87 62 770**	1 79 76 53 652
Weighted average number of equity shares outstanding for Basic/Diluted EPS (Nos.)	**3 24 60 736**	3 24 60 736
Nominal value of equity per share	**10**	10
Basic/Diluted Earnings per share	**46.48**	55.38

17. Common service expenses paid/recovered include payments/recoveries on account of finance, personnel, secretarial, administration and planning services rendered under common services agreements with Procter and Gamble Home Products Limited and Gillette India Limited.

18. Salaries, wages and bonus under schedule 14 include ₹ 55 68 000 (Previous year : ₹ 2 38 61 880) towards expenditure on Voluntary Retirement Scheme.

19. Professional fees in schedule 15 Operating and other expenses includes an amount of ₹ 1 10 300 (Previous year : ₹ 71 695) on account of fees to cost auditors.

20. No borrowing costs were capitalised during the year.

21. Previous year's figures have been regrouped/rearranged wherever considered necessary.

Signatures to Schedules 1 to 17

For and on behalf of Board of Directors

R. A. Shah
Chairman

S. Khosla
Managing Director

Directors:

B. S. Mehta
D. Acharya

A. Vyas
Company Secretary

T. Buch
Chief Financial Officer

Mumbai, August 25, 2011

Additional Information as required under Part IV of Schedule VI of the Companies Act, 1956 for the Financial Year ended June 30, 2011

Balance Sheet Abstract and Company's General Business Profile:

I.	**Registration Details**	
	Registration No.	11-12971
	State Code	011
	Balance Sheet Date	June 30, 2011
II.	**Capital Raised during the Year (₹)**	Nil
III.	**Position of Mobilisation and Deployment of Funds**	**Amount (In ₹ Thousands)**
	Total Liabilities	6 03 44 10
	Total Assets	6 03 44 10
	Sources of Funds:	
	Paid-up Capital	32 46 07
	Reserves & Surplus	5 68 17 01
	Secured Loans	Nil
	Unsecured Loans	Nil
	Application of Funds:	
	Net Fixed Assets	1 98 01 69
	Investments	Nil
	Net Current Assets	4 05 42 41
	Misc. Expenditure	Nil
	Accumulated Losses	Nil
IV.	**Performance of Company**	
	Turnover & other income	10 38 27 81
	Total Expenditure (including Exceptional items)	8 61 53 62
	Profit Before Tax	1 76 74 19
	Profit After Tax	1 50 87 63
	Earning Per Share (₹)	46.48
	Dividend Rate	225%
V.	**Generic Names of Two Principal Products/Services of Company** (as per monetary terms)	
	Item Code No. (ITC Code)	5601.10
	Product Description	Feminine Hygiene Products
	Item Code No. (ITC Code)	3003.39
	Product Description	Ointment

TEN YEAR FINANCIAL HIGHLIGHTS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
YEAR END FINANCIAL POSITION (₹ Crores)										
Gross Fixed Assets	221.5	177.9	170.9	178.8	127.0	163.6	203.1	221.8	243.0	**312.9**
Net Fixed Assets	106.7	74.3	80.2	79.1	65.4	94.0	123.1	132.3	130.3	**190.4**
Net Worth	217.9	230.4	249.1	225.7	272.7	291.2	346.6	440.0	534.6	**600.6**
SUMMARY OF OPERATIONS (₹ Crores)										
Gross Sales	449.8	474.3	616.0	738.1	596.8	553.0	652.6	773.0	913.5	**1037.0**
Profit before Tax	102.0	92.6	127.2	177.8	193.3	145.5	180.6	231.7	233.6	**176.7**
Profit after Tax	77.0	68.0	92.1	124.6	139.5	89.8	131.4	178.8	179.8	**150.9**
Dividend	43.3	43.3	64.9	129.8	81.2	64.9	64.9	73.0	73.0	**73.0**
PER SHARE DATA										
EPS (₹)	35.59	31.44	28.39	38.39	42.98	27.67	40.48	55.10	55.38	**46.48**
Dividend (%)	200	200	200	400++	250	200	200	225	225	**225**
NUMBER OF SHARES										
Shares (Lakhs)	216.40	216.40	324.61	324.61	324.61	324.61	324.61	324.61	324.61	**324.61**
NUMBER OF EMPLOYEES										
Employees	431	350	345	368	251	273	250	282	324	**370**

++ Includes a special dividend of 200% amounting to ₹64.92 crores

Procter & Gamble Hygiene and Health Care Limited

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

ATTENDANCE SLIP

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Forty-Seventh ANNUAL GENERAL MEETING of the Members of the Company at Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhonsle Marg, Mumbai 400 021 on **Wednesday, November 23, 2011 at 3.30 p.m.**

Name of the attending member..
(in Block letters)

Member's Folio No./DP ID/(Client ID)...

Name of Proxy...
(in Block Letters, to be filled in if the proxy attends instead of the member)

No. of Shares held ....

....
*Member's/Proxy's Signature

* To be signed at the time of handing over the slip.

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP AT THE MEETING. NO DUPLICATE WILL BE ISSUED.

CUT HERE

Procter & Gamble Hygiene and Health Care Limited

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

PROXY FORM

Folio No./DP ID/(Client ID)............................

I/We..of...

in the district of ....being a member/members of

Procter & Gamble Hygiene and Health Care Limited hereby appoint...

of..in the district of..

or failing him ....of...

in the district of ....as my/our proxy to attend and vote for me/us, on my/our behalf at the Forty-Seventh ANNUAL GENERAL MEETING of the Members of the Company to be held on **Wednesday, November 23, 2011 at 3.30 p.m.** at Y. B. Chavan Pratishthan, Gen. Jagannathrao Bhonsle Marg, Mumbai 400 021 and at any adjournment thereof.

Signed this ....day of... 2011

Signature(s)...................... Affix ₹ 1.00 revenue stamp ....

Note: This proxy form duly completed and signed, should be deposited at the Registered Office of the Company not later than 48 hours before the time of the Meeting.

P&G Brands and P&G People are the foundation of 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 Hygiene and Health Care Limited

Registered Office :
P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai-400 099.
Tel : (91-22) 2826 6000 Fax : (91-22) 6693 9696