P&G

Procter & Gamble Hygiene and Health Care Limited

ANNUAL REPORT
2008-2009

Dear Shareholders,

It gives me great pleasure to share with you the annual results of your Company for the year 2008–09.

Despite a challenging business climate, the Company continued to deliver high double digit growth with Profit after Tax (PAT) going up by 36% to Rs.178.85 crores. Total sales also grew a healthy 20%, from Rs.642.96 crores last year to Rs.772.81 crores. Profit Before Tax grew from Rs.180.56 crores to Rs.231.66 crores, up 29%.

You will be proud to know that the core business of your Company has grown in terms of sales and profits for the 7th year in succession. I attribute this sustained success to a singular focus on improving the fundamentals of our business – deep consumer understanding, meaningful marketing innovations, persuasive and engaging communication and wider availability.

This year, there were many significant highlights in the overall growth story. The Health Care business continued to consolidate its market leadership by posting a strong 14% growth in sales, reaching Rs.344.52 crores, across *VICKS Vaporub*, *VICKS Cough Drops*, *VICKS Action-500* and *VICKS Inhaler*. *VICKS Vaporub* reached its highest ever market share this year. The growth of *VICKS Cough Drops* business too progressed steadily behind the successful launch of *Asli Ginger*. Seeing this year on year sustained growth, I am confident that *VICKS* will continue to remain the most trusted cough and cold care solution in India.

The story is no different with our Feminine Hygiene business. For the 6th consecutive year, it recorded high double digit growth of 26%, taking total sales upto Rs.428 crores. You will be happy to know that among all P&G companies in the world, your Company delivered the highest sales and share growth, with *WHISPER Ultra* becoming the biggest value share brand in the category.

During the year under review, a number of initiatives were designed to delight our Boss – the Consumer. In the context of the current economic climate, where the consumer is more sensitive to value than usual, we introduced a mid-tier product surrounded by the campaign idea of '*Change When You Want To*' to provide consumers the option of changing by choice and not because the product did not last long enough. The success of this idea is evident in the fact that *WHISPER's* overall share shot to its highest ever in the past 11 years and underlined *WHISPER's* position as the No.1 Feminine Hygiene brand in India.

The story of success, in my mind, is incomplete if it is only about sales and profit numbers. As a Company that lives and breathes the philosophy of *Touching Lives, Improving Life,* we are committed to making a difference beyond providing superior quality brands. This is the purpose of P&G and the inspiration for our growth comes from this purpose.

As you are already aware, your Company had entered into a Public Private Partnership (PPP) with the National Rural Health Mission (NRHM) to provide education and sanitary protection to thousands of rural women in Rajasthan to help them lead healthier, hygienic and more productive lives. Significantly, the program has been able to convert 85% of cloth users to sanitary pad users who used *WHISPER*. We will continue to strengthen this program in coming months and years.

Similarly, your Company's signature cause marketing program *Shiksha* continued to reach out to underprivileged children in India and provide them with access to education. In its 5th year, *Shiksha* will touch the lives of over 96,000 children in 432 communities across India.

In sum, our breakthrough concepts, superior value and innovations are helping your Company win among consumers in the marketplace and through our efforts to improve the lives of consumers, we believe that we win in their hearts too.

Thank you and look forward to your continued trust, support and steadfast belief in P&G.

Mumbai
August 27, 2009

R.A. Shah
Chairman

REPORT OF THE DIRECTORS

Your Directors have the pleasure of presenting the 45th Annual Report and Audited Accounts of the Company for the year ended June 30, 2009.

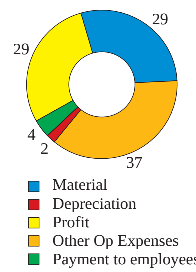
FINANCIAL RESULTS

(Figures in Rs. Crores)

	2008/9	2007/8
Sales (less excise duty)	**772.81**	642.96
Profit before tax	**231.66**	180.57
Profit after tax	**178.85**	131.42
Proposed Dividend plus tax thereon	**85.45**	75.95
Transfer to General Reserve	**17.90**	13.15
Balance carried forward	**201.47**	125.98

BUSINESS PERFORMANCE

Your Company delivered strong business results in the year that many experts agree was full of economic uncertainties and challenges. Your Company has not only managed to attain the right cost structure but more importantly has been able to grow the business in the core Feminine Hygiene and Health Care businesses by a very healthy rate of 20% at Rs.772.81 crores (Rs.642.96 crores last year). The core business of the Company has grown in terms of sales and profits for the 7th year in succession. We take pride in mentioning that there has been a method in achieving this continuous strong growth trend namely, of maintaining a discipline on the fundamentals of persuasive and consumer-meaningful innovations backed by distribution expansion and remarkable advertising support.



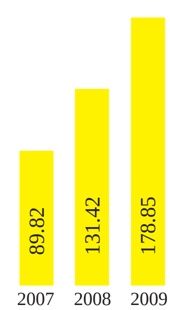
During the year under review, Feminine Hygiene business recorded 26% growth in sales and *WHISPER* continued to build trials through novel direct marketing and Point of Market Entry programs. The *VICKS* range of products too has shown a double-digit robust growth of 14%.

Profit Before Tax (PBT) at Rs.231.66 crores is up by 29% vs. last year's Rs.180.57 crores. During the year under review, the Company earned Profit after Tax (PAT) of Rs 178.85 crores which is up by 36% as compared to last year's PAT of Rs.131.42 crores.

Health Care Business

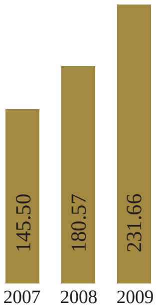
Health Care business at Rs.344.52 crores (vs. last year's Rs.303.17 crores) posted a growth of 14% this year with growth across *VICKS Vaporub, VICKS Cough Drops, VICKS Action-500 and VICKS Inhaler* ensuring consolidation of market leadership in their respective categories. The growth was driven by a combination of product initiatives on all four variants and increased investment behind proven equity building advertising.

Profit After Tax
(Rs. Crores)



VICKS Vaporub had another record year posting a highest ever market share. The growth in the brand was driven primarily through continued focus on the successful '*blanket of warmth*' advertising via augmented media spends. During the year under review, your Company introduced *VICKS Vaporub*

Profit Before Tax
(Rs. Crores)



'*Chotu*' pack at Rs.5 with the intent of further penetrating the rural markets.

The *VICKS Cough Drops* business continued on its growth trajectory from last year, recording double digit growth in a year that witnessed heightened competitive activity. This growth was driven by the launch of *VICKS Asli Ginger* in October 2008. The launch was well supported by a program using radio and outdoor branding to significantly grow top-of-mind awareness on the brand in key markets.

VICKS Action-500 successfully reversed its declining share trend over the last year via its re-launch as *VICKS Action-500 Extra*. The launch was brought to life through a new product formulation with the additional benefit of body ache relief, refreshed advertising and heightened distribution efforts.

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 Rs.428.28 crores (vs. last year's Rs.339.79 crores) translating to a 26% increase in sales. Your Company has delivered the highest sales and share growth for P&G across the globe in this segment with *Whisper Ultra* becoming the biggest value share brand in the category. This growth is driven both, by increase in penetration among non-users and increased consumption among users.

During the year under review, a number of initiatives were designed to win with the consumers' needs for a clean-and-fresh top based sanitary napkin and mid-tier product offering. The compelling message of *Change When You Want To* that promised consumers protection that would last them longer, timed well with the economic realities when every consumer is looking for mileage. All of these initiatives took *Whisper's* overall share to its highest ever in past 11 years.

Your Company continued its extensive focus on the Point of Market Entry consumer. The *Whisper School Program* reached a total of 2.1 million menstruating girls across private and government schools, which is up 34% against the previous year. At the same time, by constantly innovating to meet the consumer's needs, *Whisper* ensured that the top-tier brand was sampled in more urban schools, and the more economical mid-tier *Choice* in the upcountry schools. Not only did the program reach out to more potential consumers, but it also increased its depth by reaching out to lower class towns.

In addition to the robust and time-tested school girls' program, your Company continued to expand its direct-to-home selling program across the country. The top tier program reached 0.7 million consumers in their homes, which is a 147% increase as against the previous year. The *Whisper Choice* program, first initiated in Tamil Nadu, made it a most preferred brand of the consumers with the highest volume share in the State. This program is now being expanded to 6 other States this year. The house-to-house programs, especially in the lower class towns, are aimed at educating the consumer about the benefits of using sanitary napkins and breaking the affordability barrier.

As you are already aware, your Company had entered into a Public Private Partnership (PPP) with the National Rural Health Mission (NRHM), Rajasthan to provide education and sanitary protection to rural women to help them lead healthier, hygienic and more productive lives. This execution with its persuasive educational message, has managed to convert an overwhelming 85% of cloth users that it reached, into sanitary pad users. The pilot is now being expanded across the State, and also to Tamil Nadu, with a similar model. Your Directors would like to take this opportunity to place on record its deep gratitude for the support extended to this Pilot project by the Government of Rajasthan and all NRHM officials including Mr. M.L Jain, Director-RCH, NRHM and Mr. R.K Meena, Principal Secretary, Dept. of Health & Family Welfare, Government of Rajasthan.

DIVIDEND

The Directors are pleased to recommend a dividend of Rs.22.50 for each equity share for the financial year ended June 30, 2009.

A School in progress, courtesy Shiksha

CORPORATE SOCIAL RESPONSIBILITY

Shiksha: Padhega India, Badhega India

Touching lives, improving Life has always been at the core of P&G's Corporate Social Responsibility (CSR) program which revolves around the commitment of P&G in making sure its brands live up to their promise in making everyday life a little better. P&G globally is committed to the cause of development of children in need via its corporate cause.

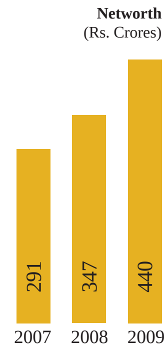
P&G India's flagship CSR program *'Shiksha'* in partnership with CRY empowers consumers across the country to participate and support the education of marginalized and underprivileged children with a simple purchase of any large P&G products. *Shiksha* is a National Consumer Movement – that allows consumers to support the education of children in need by making simple brand choices. *Shiksha* celebrated its 5th Anniversary this year having touched over 96,000 children in 432 communities across India. *Shiksha* is spearheaded by its motto and slogan *"Padhega India Badhega India"* with an underlying strong belief that the secret to a brighter India lies in the quality education of our children.

DIRECTORS' RESPONSIBILITY STATEMENT

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

i. that in the preparation of the annual accounts for the financial year ended June 30, 2009, 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 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, 2009, on a "going concern" basis.

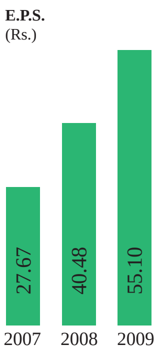
POSTAL BALLOT

Your Directors deemed it necessary to amend the Articles of Association of the Company with a view to bring them in line with the latest statutory provisions. It was also necessary to delete references to M/s Richardson Vicks Inc. from the Articles since the said entity has merged into The Procter & Gamble Company, U.S.A. (the parent company). It was, therefore, proposed to amend the Articles of Association of the Company to incorporate these changes. Thus, the Company undertook the Postal Ballot process for seeking shareholders' consent to the Special Resolution under Section 31 of the Companies Act, 1956, to alter the Articles of Association of the Company. The results of this Ballot were declared by the Chairman on May 6, 2009 confirming that the said Special Resolution proposing the amendment to the Articles of the Company had been approved by the requisite majority (99.98%). The revised Articles of Association are available for inspection at the Registered Office of the Company.

CORPORATE GOVERNANCE

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

Film Celebrities support Shiksha



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 shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS

Mr. Bharat Patel ceased to be the Chairman and Director of your Company with effect from March 31, 2009. The Board wishes to place on record its sincere appreciation for Mr. Bharat Patel's valuable contribution as the Chairman and Director of the Company.

Mr. R.A. Shah, Director was appointed Chairman of the Board of Directors of your Company with effect from April 1, 2009. Mr. R.A. Shah needs no introduction to the fellow P&G shareholders. Mr. Shah has been the founder Director of your Company. The Board welcomes the appointment of Mr. R.A. Shah as the Chairman of the Board of Directors of the Company.

Mr. Deepak Acharya, Director, retires by rotation and, being eligible, offers himself for re-appointment. The Directors recommend his re-appointment.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, retire and offer themselves for re-appointment.

COST AUDITORS

The Company has received the approval of the Central Government for appointment of M/s. P.M. Nanabhoy & Company, Cost Accountants, to conduct the cost audit of drug formulations for the year ended June 30, 2009. However for the year ending 2010, your Company proposes to appoint M/s. Ashwin Solanki & Associates as Cost Auditors, subject to the approval of the Central Government.

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, forms part of this Report.

TRADE RELATIONS

The Directors wish to thank the retailers, wholesalers, distributors, suppliers, clearing and forwarding agents and all other business associates and acknowledge their efficiency and continued support in promoting healthy growth in the Company's business.

ACKNOWLEDGEMENT

Our thanks are once again due to The Procter & Gamble Company, USA and Procter & Gamble Asia Pte. Limited, Singapore, for the invaluable support provided by them in terms of access to the latest information/knowledge in the field of Research & Development for products, ingredients and technologies; timely inputs to exceptional marketing strategies; and the goodwill of its world-renowned trademarks and superior brands. These have vastly benefited the Company.

For and on behalf of the Board

Mumbai
August 27, 2009

R. A. Shah
Chairman

TEN YEAR FINANCIAL HIGHLIGHTS

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
YEAR END FINANCIAL POSITION (Rs. Crores)										
Gross Fixed Assets	240.6	224.2	221.5	177.9	170.9	178.8	127.0	163.6	203.1	221.8
Net Fixed Assets	148.2	124.4	106.7	74.3	80.2	79.1	65.4	94.0	123.1	132.3
Net Worth	197.1	273.2	217.9	230.4	249.1	225.7	272.7	291.2	346.6	440.0
SUMMARY OF OPERATIONS (Rs. Crores)										
Gross Sales	475.1	448.0	449.8	474.3	616.0	738.1	596.8	553.0	652.6	773.0
Profit before Tax	87.6	102.3	102.0	92.6	127.2	177.8	193.3	145.5	180.6	231.7
Profit after Tax	75.0	82.7	77.0	68.0	92.1	124.6	139.5	89.8	131.4	178.8
Dividend	16.2	86.5	43.3	43.3	64.9	129.8	81.2	64.9	64.9	73.0
PER SHARE DATA										
EPS (Rs.)	34.70	38.21	35.59	31.44	28.39	38.39	42.98	27.67	40.48	55.10
Dividend (%)	75	400	200	200	200	400++	250	200	200	225
NUMBER OF SHARES										
Shares (Lakhs)	216.40	216.40	216.40	216.40	324.61	324.61	324.61	324.61	324.61	324.61
NUMBER OF EMPLOYEES										
Employees	555	472	431	350	345	368	251	273	250	282

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

ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption

	2008-09	2007-08
1. Electricity		
a) Purchased :		
Units (KWH)	69 75 458	72 38 783
Total Amount (Rs.)	5 54 14 145	6 40 46 690
Rate/Unit (Rs.)	7.94	8.85
b) Own Generation :		
i) Through Diesel Generator		
Units (KWH)	6 88 764	64 442
Units per lts. of Diesel Oil	3.32	2.33
Cost / Unit (Rs.)	9.79	14.96
ii) Through Steam Turbine / Generator	N.A.	N.A.
2. Coal (Specify Quality and where used)	N.A.	N.A.
3. Furnace Oil	N.A.	N.A.
4. Others / Internal Generation	N.A.	N.A.

B. Consumption Per Unit Of Production

	KWH/Tonnes	
	2008-09	2007-08
Other Products	819	1 701

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 Board of Directors) Rules, 1988.

I. RESEARCH & DEVELOPMENT:

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

   During the year Company continued its Research and Development thrust for improvement of its existing products, processes and import substitution. Research work is also being done for 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.

	Rs. Lakhs	
	2008-2009	2007-2008
a. Capital	–	–
b. Recurring	19.38	23.39
c. Total	19.38	23.39
d. Total R&D expenditure as a percentage of total turnover	0.03	0.04

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation; Continued implementation of *QC/QA* procedures for 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 Company exported products and services of Rs.8.81 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 18(B)(3)(j) to the Accounts.

For and on behalf of the Board

R. A. Shah
Chairman

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, shareholders and the Board of Directors to help ensure that all stakeholders 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 help 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 its employees, including key employees, of observing high standards of Corporate Governance through the Company's *"Worldwide Business Conduct Manual,"* which sets forth management's commitment to conduct its business affairs with high ethical standards. 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

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 directors bring external perspective and independence to decision making. Mr. R. A. Shah and Mr. B. S. Mehta are 'independent directors' as per explanation to clause 49 I (A) of the Listing Agreement. 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

Five Board meetings were held during the period July 1, 2008 to June 30, 2009. They were held on August 29, October 31, 2008, January 29, March 30 and April 28, 2009.

(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. B. V. Patel *	4	Present
Mr. S. Khosla	5	Present
Mr. B. S. Mehta	5	Present
Mr. D. Acharya	5	Present
Ms. D. Henretta	None	Not Present
Mr. P. Agarwal #	None	Not Present

** Mr. B. V. Patel ceased to be a Director of the Company w.e.f. March 31, 2009.*

 # Alternate Director to Ms. Henretta.

The composition and other required details of the Board of Directors as on June 30, 2009 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. B.V. Patel ##	NED/ID	Chairman	—	—	—	—
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	1	None	None	None

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

\# *Mr. R. A. Shah was appointed as the Chairman of the Board of Directors of the Company w.e.f. April 1, 2009.*

\## *Mr. B. V. Patel ceased to be the Chairman of the Board of Directors of the Company w.e.f. March 31, 2009.*

\### *Mr. P. Agarwal ceased to be a Director of Procter & Gamble Home Products Limited w.e.f August 1, 2009.*

* *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 Committee of public companies.*

(d) Material significant related party transactions

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. B.12 of Schedule 17 to the Accounts in the Annual Report.

(e) Remuneration of Directors

The Non-Executive Chairman is paid a commission of Rs. 25 lakhs per annum. The Non-Executive Independent Directors are paid annual commission of Rs.10 lakhs each w.e.f. July 1, 2006 for a period of 5 years, subject to deduction of tax at source.

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 such other applicable provisions of the Companies Act, 1956.

Your Company also pays fees for the professional services to the firm of Chartered Accountants and the firm of Solicitors and Advocates of which two of the Non-Executive Directors are 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.

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.

Details of the remuneration paid to Directors of the Company during the year ended June 30, 2009 are given below:

Name of Director	Relationship with other Directors	Salary including Bonus+PF contribution (Rs.)	Perquisites (Rs.)	Commission (Rs.)	Shares held
Mr. R. A. Shah *	None	-	-	10,00,000	5,550
Mr. B. V. Patel **	None	-	-	18,75,000	-
Mr. S. Khosla	None	4,08,75,400	49,28,831	-	67
Mr. B. S. Mehta	None	-	-	10,00,000	3,799
Mr. D. Acharya	None	-	-	-	-
Ms. D. A. Henretta	None	-	-	-	-
Mr. P. Agarwal #	None	-	-	-	-
TOTAL		**4,08,75,400**	**49,28,831**	**38,75,000**	**-**

* *Mr. R. A. Shah was appointed as the Chairman of the Board w.e.f. April 1, 2009.*

** *Mr. B. V. Patel ceased to be a Director of the Company w.e.f. March 31, 2009.*

\# *Alternate Director to Ms. D. A. Henretta. Details as regards to the remuneration are disclosed vide Note No. B.15 of Schedule 17 to the Accounts in the Annual Report.*

NOTE - No sitting fees are payable to any Director.

The term of the Managing Director (MD) is for a period of five years from the date of his 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.

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 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. B.14 (a) and (b) of Schedule 17 to the Accounts in the Annual Report.

(f) Committees of the Board

Audit Committee

The Audit Committee comprises of Non-Executive Directors viz. Mr. R. A. Shah (Chairman), Mr. B. S. Mehta (Member) and Mr. D. Acharya (Member). The Audit Committee met on August 29, October 31, 2008, January 29 and April 28, 2009, during the year ended June 30, 2009.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. R. A. Shah *	4	3
Mr. B. V Patel **	3	3
Mr. B. S. Mehta	4	4
Mr. D. Acharya***	1	1

* *Mr. R. A. Shah was appointed as the Chairman of the Audit committee w.e.f. April 1, 2009.*

** *Mr. B. V. Patel ceased to be a Director of the Company on March 31, 2009.*

*** *Mr. Deepak Acharya was inducted into the Audit Committee with effect from April 1, 2009.*

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 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 the management the annual financial statements before submission to the Board, focusing primarily on:
   - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Section 217(2AA) 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 the stock exchange and legal requirements concerning the 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 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, shareholders (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.

Shareholder/Investor 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 year four meetings were held on August 29, October 31, 2008, January 29, and April 28, 2009.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. B. V Patel *	3	3
Mr. S. Khosla	4	4
Mr. D. Acharya**	4	4

* *Mr. B. V. Patel ceased to be the Director of the Company on March 31, 2009.*

** *Mr. Deepak Acharya was appointed Chairman of the Committee w.e.f. April 1, 2009.*

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 year, the Company received 54 shareholder complaints. The complaints have generally been resolved to the satisfaction of the shareholders except for the dispute cases and sub-judice matters, which would be resolved on final disposal by courts. There were no pending transfers as on June 30, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Economic Scenario and impact of Union Budget '09

As per the Economic Survey 2008-09 released by the Ministry of Finance, Govt. of India on July 2, 2009, despite global financial crises, India has still registered a growth of 6.7% though there has been a deceleration in said growth rate from the average growth rate of 8.8% during 2003-04 to 2007-08. The said Survey further observes that the Indian economy has shock absorbers that are likely to facilitate early revival of growth. India has a strong banking sector – the Banks are financially sound and well capitalized. The foreign exchange position remains comfortable and the external debt position has been in the comfort zone. The said Survey further observes that the deceleration of growth during 2008-09 was spread across all sectors except mining and quarrying, community, social and personal services. During 2008-09 the growth in exports was robust till August 2008. However due to recessionary trends in the developed markets where the demand has plummeted, the export growth declined sharply.

The Union Budget was announced by the Hon'ble Finance Minister (FM) on July 6, 2009 treading relatively cautious though solid path for social enlistment, infrastructure development and tax administration reforms. The FM has set a target of achieving a sustained annual growth rate of 9% with a medium term strategy, clearly setting out that this challenging task cannot be achieved in a single budget.

Some of the budget proposals are likely to benefit the FMCG Sector in India. Mainly, higher disposable income, increased capital formation in rural areas through NREGA (National Rural Employment Guarantee Act) and Bharat Nirman, the promised jobs to millions will be the growth factor for the FMCGs. Rural focus, employment generation and infrastructure spending will improve rural income. Rural India accounts for more than 40% consumption for major FMCG categories. FMCG companies are witnessing a 40% growth in rural sales as against 25% in urban areas. Further, on account of low penetration, these companies are banking on rural areas for volume growth. Hence, continued focus on rural development would benefit the sector.

The FMCG sector reported strong growth last year. As per an A.C. Nielsen report, FMCG sales grew 16.2% YoY over April-May 2009, lower than the 19% YoY growth achieved in FY09. Price-cuts on account of lower inflation and excise duty reduction from 14% to 8% led the FMCG companies to reduce their product prices in a bid to boost volumes. The volume growth has continued to remain strong. As per FICCI, the FMCG industry is set to grow 20-30% in 2009-10, up from 10-20% in 2008-09. The growth would be driven by the launch of new products and increasing rural consumption.

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.

Health Care Business

P&G Health Care sales at Rs 344.5 crores (vs. last year's Rs 303.2 crores) posted a growth of 13.62% this year with broad based growth across variant brands ensuring consolidation of market leadership in their respective categories. The growth was driven by a combination of product initiatives on all three variant brands and increased investment behind proven equity advertising. *VICKS* will continue to innovate to ensure it stays the most trusted cough and cold care solution in India.

Feminine Hygiene Business

Feminine Hygiene business recorded another year of high growth with sales at Rs.427.9 crores (vs. last years Rs.339.9 crores) translating to a 25.8% growth and a value share leadership at 48.6%. India delivered the highest sales and share growth across the world, with *Whisper Ultra* becoming the biggest value share brand in the category.

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 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. There is also a system for continuous monitoring of security alerts across the country. Training is given regularly to all security guards who are on duty 24x7. 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.

Internal Controls & their adequacy

Internal Control systems have been a core focus for the Company. Internal Audits and process checks are carried out regularly in important areas and are supplemented with checks by outside agencies.

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.

Attracting Talent: Recruiting is 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. 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.

Motivating and Retaining Talent: Strong induction and training systems for new hires is a key part of retention program. Your Company allows new hires to handle responsible and large roles consistent with their capability, thus allowing exposure to decision making and strategy. Clearly defined functional career paths help 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.

Your Company has been ranked 2nd most preferred employer as per A. C. Nielsen Survey and has also improved its standing on a majority of campuses. Internal surveys indicate that the various H.R initiatives undertaken during the year have received considerable appreciation across the organization and encouraged by this fact the priorities planned for the F.Y 2009-2010 by the H.R include initiating action on key capability areas, driving better employer-employee relationship/career guidance and many more.

Employee and Trade Relations related developments are covered in the Directors' Report. The number of employees as on June 30, 2009 was 282.

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

SHAREHOLDERS

(a) Disclosures regarding re-appointment of Director

Mr. D. Acharya is a Law Graduate from the Bombay University, a Fellow Member of the Institute of Company Secretaries of India (FCS) and an Associate Member of the All India Management Association (AIMA). Since 1992, he has worked at various levels in the Legal function in India and the Company's regional headquarters at Singapore.

Mr. Acharya is a Director on the Board of Procter & Gamble Home Products Ltd and also holds the following positions:

(i) President of Indian Soaps & Toiletries Makers Association of India;

(ii) Member of the Executive Committee of Feminine & Infant Hygiene Association;

(iii) Member of the CII FMCG Committee;

(iv) Member of the FICCI FMCG Committee

(b) Communication to shareholders

(i) The Company does not send quarterly or half-yearly report to its shareholders.

(ii) The quarterly results of the Company are generally published in The Economic Times and Mumbai Lakshadeep (Marathi).

(iii) The Company's results and official news release are generally published on Company's website: www.pghhcl.in. 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 shareholders to send in their suggestion/ grievances, which are immediately responded to.

(iv) No presentations were made to analysts and institutional investors.

(v) Annual Report, quarterly results, shareholding pattern etc. of the Company are also posted on the SEBI EDIFAR website: www.sebiedifar.nic.in;

(vi) An archived webcast of the proceedings of the Annual General Meeting will be available at our website www.pghhcl.in 48 hours after the Annual General Meeting.

(c) Statutory Compliance

The Company has complied with all applicable regulatory 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
2008	AGM	Y. B. Chavan Hall	Oct 10, 2008	3:30pm
2007	AGM	Patkar Hall	Oct 12, 2007	3:30pm
2006	AGM	Y. B. Chavan Hall	Oct 6, 2006	3:30pm

No special resolution was passed at the last Annual General Meeting .

Postal Ballot

Postal Ballot process was undertaken by the Company for the purpose of seeking shareholders' consent by way of a Special Resolution under Section 31 of the Companies Act, 1956, to alter the Articles of Association of the Company.

The Articles of Association of the Company were last amended at the 39th Annual General Meeting of the shareholders of the Company held on October 10, 2003 when the authorized share capital of the Company was increased. The Articles, however, contained several provisions which needed to be amended in light of the changing statutory requirements such as dematerialization, nomination, investor protection, etc. It was also necessary to delete references to M/s Richardson Vicks Inc. from the Articles since the said entity has merged into The Procter & Gamble Company, U.S.A.(the parent Company). Accordingly, it was proposed to amend the Articles of Association of Company to incorporate these changes.

Mr. S.N Ananthasubramanian, Practicing Company Secretary was appointed as the Scrutinizer for the postal ballot process. The Scrutinizer submitted his report to the Chairman, the result of which was declared on May 6, 2009. The results of the ballot are given below:

Number of Postal Ballot Forms	
Received	1108
Invalid	50
Valid	1058

	No. of Ballot Papers	No. of votes	Percentage
Votes cast in favour	1035	23,287,705	99.98
Votes cast against	23	4,632	0.02
Total Votes	1058	23,292,337	100.00

The resolution to alter the Articles of Association was approved by shareholders with the requisite majority.

(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 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 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 Audit Committee 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 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 year under reference.

d. No specific training program was arranged for 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 www.pghhcl.in.

(ii) Code of Conduct for Prevention of Insider Trading

The Company vide the *Worldwide Business Conduct Manual* has a Code of Conduct for Prevention of Insider Trading in the shares and securities of the Company, its suppliers or associate companies. This Code, among others, prohibits the purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The *Worldwide Business Conduct Manual* has been posted on the parent company's website at www.pg.com. The Company has during the year adopted the revised Insider Trading Code modified in terms of amendments notified by SEBI(Prohibition of Insider Trading) Regulations, 1992.

GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting
The Annual General Meeting will be held on **Thursday, October 15, 2009, at 3.30 pm** at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400020.

(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 October 3, 2009 to October 15, 2009 (both days inclusive).

(iv) Dividend Payment Date On or around October 22, 2009.

(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.

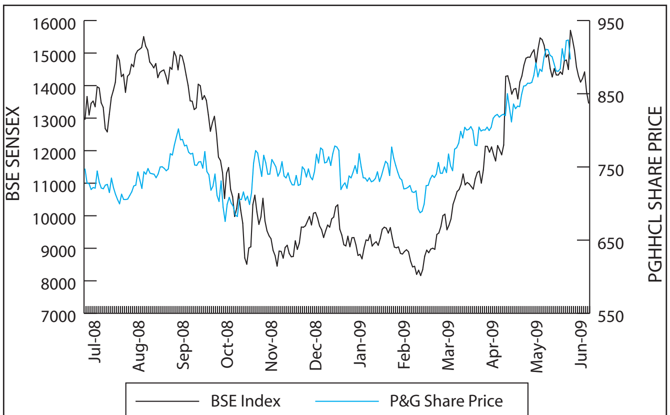
(vi) Stock code
Bombay Stock Exchange Ltd., Mumbai - Code : 500459 (physical & demat)
National Stock Exchange of India Ltd. - Code : PGHH
The dematerialization ISIN Code is **INE 179A01014**

(vii) Stock Price Data

MONTH	Bombay Stock Exchange Ltd. Mumbai		National Stock Exchange of India Ltd.	
	High	Low	High	Low
July – 2008	760	694	831	680
August – 2008	770	685	800	703
September – 2008	805	650	843	700
October – 2008	749	650	754	640
November – 2008	790	720	800	717
December – 2008	838	721	865	720
January – 2009	784	710	785	710
February – 2009	837	711	781	710
March – 2009	772	670	774	665
April – 2009	825	740	825	742
May – 2009	865	770	864	785
June – 2009	925	850	925	836

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

(viii) Stock Performance



(Source: www.bseindia.com)

(ix) Registrar & Transfer Agents
LINK INTIME INDIA PVT. LTD. C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078

Tel – (022)2594 6980 / 022)2596 3838 Fax 022)2594 6969 e-mail - pginvestors@intimespectrum.com / isrl@intimespectrum.com

(x) Share Transfer System
All shares sent for transfer in 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 Limited (CDSL) within 15 days.

(xi) Distribution of shareholding by size class as on June 30, 2009

Share holding	Shareholders Number	Shareholders % to Total	Shares Number	Shares % to Total
Upto 500	21008	90.90	2132365	6.57
501 – 1000	1204	5.21	846010	2.61
1001 – 2000	550	2.38	764940	2.36
2001 – 3000	128	0.55	314119	0.97
3001 – 4000	63	0.27	221790	0.68
4001 – 5000	41	0.18	186419	0.57
5001 – 10000	56	0.24	390002	1.20
10001 and above	62	0.27	276050910	85.04
TOTAL	**23112**	**100.00**	**32460736**	**100.00**

Distribution of shareholding by ownership as on June 30, 2009

Category	Number of Shares held	% of Shares held
Foreign promoters	22310090	68.73
Resident Individuals	5426772	16.72
Mutual Funds & UTI	1068095	3.29
Financial Institutions/ Banks/Insurance Cos	1278777	3.94
Foreign Institutional Investors	247270	0.76
Private Corporate Bodies	1966980	6.06
NRIs/OCBs	147368	0.45
Directors and their relatives	15384	0.05
TOTAL	**32460736**	100.00

(xii) Dematerialization of shares and liquidity
As on June 30, 2009 91.95% of total equity capital was held in dematerialisation form with NSDL and CDSL and the remaining in physical form.

Trading in equity shares of the Company is permitted only in dematerialisation form w.e.f. April 05, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

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

(xiv) Plant Locations

Goa Plant : 173, 314, 315, Kundaim Industrial Estate, Kundaim, Goa 403 115

Baddi Plants :

(1) Khasara.No.1808-09, Village-Doria, Export park, Thana, Near Ino Pharma, PO. Baddi, Tehsil-Nalagarh, Dist.:Solan Himachal Pradesh -173205

(2) Village Katha, Near Charak Pharma, PO. Baddi, Tehsil-Nalagarh, Dist.:Solan Himachal Pradesh - 173205

(xv) Addresses for Correspondence

The Company's registered address is 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@intimespectrum.com

(xvi) Compliance Officer

Mr. Amit K. Vyas
Company Secretary
Ph : (91-22) 2826 6000, Fax (91-22) 6693 9696
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 year ended June 30, 2009 and the Senior Management has confirmed compliance with the Business Conduct Manual for the year ended June 30, 2009.

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

S. Khosla
Managing Director

Mumbai, August 27, 2009

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, for the year ended on June 30, 2009, 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

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 27, 2009

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 June 30, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 issued by the Central Government of India in terms of sub-section (4A) of Section 227 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 above, we report that:

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   (v) On the basis of written representations received from Directors as on June 30, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on June 30, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon, 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:

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2009;

      (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 27, 2009

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

In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year are such that clauses vi, xii, xiii, xiv, xv, xvi, xviii, xix and xx of para 4 of the said Order are not applicable to the Company.

1. In respect of its fixed assets:

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

   b. Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of accounts.

   c. The fixed assets disposed off during the 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.

2. In respect of its inventories:

   a. As explained to us, inventories were physically verified by the management at reasonable intervals during the year.

   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 are 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 verification between physical stocks and book records.

3. In our opinion and according to the information and explanations given to us, the Company has not granted or taken any loan secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in such internal control systems.

5. 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 3 above) is in excess of Rs 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.

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

7. We have broadly reviewed the books of account and records maintained by the Company in respect of manufacture of formulations, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed 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.

8. In respect of statutory dues:

   a. According to the information and explanations given to us, the Company has been generally 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 any other material statutory dues with the appropriate authorities during the year.

   b. According to the information and explanations given to us, details of disputed income tax, excise duty, sales tax and custom duty dues which have not been deposited as on June 30, 2009 on account of dispute are given below:

Sr. No.	Name of the Statute	Amount under dispute not yet deposited. (Rs. in Lakhs)	Period to which the amount relates	Forum where dispute is pending
1	Sales Tax	947.66	1997-98 to 2005-06	Appellate Authorities
		247.79	1990-96, 1996-97, 2001-02 and 2002-03	Tribunal
		13.89	1990-91 to 1997-98	High Court
	Sub-total	1209.34		
2	Custom Duty	178.55	1992-93	Joint Director General of Foreign Trade
	Sub-total	178.55		
	Grand total	**1387.89**		

The above excludes disputed unpaid excise demands of Rs. 459.60 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 year.

9. The Company does not have any accumulated losses as at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

10. During the year, the Company has not taken any loans from financial institutions or banks or debenture holders and hence the question of default in repayment of dues does not arise.

11. 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, *prima facie*, not been used during the year for long term investment.

12. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

K. A. Katki
Partner
Membership No. 038568

Mumbai,
August 27, 2009

Balance Sheet as at June 30, 2009

	Schedule No.	As at June 30, 2009 Rs.	Rs.	As at June 30, 2008 Rs.	Rs.
Sources of Funds					
Shareholders' funds					
Share Capital	1	32 46 07 360		32 46 07 360	
Reserves and Surplus	2	4 07 58 06 350		3 14 18 20 173	
			4 40 04 13 710		3 46 64 27 533
Deferred Tax Liability - Net	3		5 40 86 025		4 33 82 025
TOTAL			4 45 44 99 735		3 50 98 09 558
Application of Funds					
Fixed Assets	4				
Gross Block		2 21 82 32 601		2 03 09 39 857	
Less : Depreciation/Amortization		89 53 77 826		80 00 95 936	
Net Block		1 32 28 54 775		1 23 08 43 921	
Capital work-in-progress (including advances on capital account)		24 51 48 015		12 87 81 323	
			1 56 80 02 790		1 35 96 25 244
Current Assets, Loans and Advances					
Inventories	5	53 98 28 255		46 51 75 345	
Sundry Debtors	6	22 51 27 563		13 33 81 621	
Cash and Bank Balances	7	88 03 37 508		1 66 47 95 808	
Other Current Assets	8	2 00 91 818		88 66 736	
Loans and Advances	9	3 28 28 01 179		2 00 67 22 180	
		4 94 81 86 323		4 27 89 41 690	
Less : Current Liabilities and Provisions					
Current Liabilities	10	1 15 67 05 026		1 30 84 39 464	
Provisions	11	90 49 84 352		82 03 17 912	
		2 06 16 89 378		2 12 87 57 376	
Net Current Assets			2 88 64 96 945		2 15 01 84 314
TOTAL			4 45 44 99 735		3 50 98 09 558

Significant Accounting Policies and Notes to Accounts 17

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 27, 2009

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

D. Doss
Finance Manager

Mumbai, August 27, 2009

Profit and Loss Account for the year ended June 30, 2009

	Schedule No.	2008 - 2009 Rs.	2008 - 2009 Rs.	2007 - 2008 Rs.	2007 - 2008 Rs.
Income					
Sales - Gross			7 73 02 75 231		6 52 64 54 791
Less : Excise duty (Refer Note B.6 of Schedule 17)			22 47 472		9 68 31 221
Net Sales			7 72 80 27 759		6 42 96 23 570
Licence fee			1 40 29 948		2 06 25 644
Other Income	12		37 32 44 189		15 10 58 421
			8 11 53 01 896		6 60 13 07 635
Expenditure					
Raw and packaging materials consumed			2 35 88 64 417		1 86 60 36 908
Purchase of Finished Goods			66 86 186		
Decrease/(Increase) in finished goods and work-in-process	13		(4 09 89 650)		(13 18 45 346)
Payments to and provisions for employees	14		34 64 18 558		39 72 86 125
Operating and other expenses	15		2 98 40 34 125		2 53 89 59 636
Interest	16		5 400		2 42 662
Depreciation/Amortization	4		14 37 00 326		12 12 04 427
			5 79 87 19 362		4 79 56 53 732
Profit Before Taxation			2 31 65 82 534		1 80 56 53 903
Provision for taxation :					
Income Tax					
Current Tax			50 14 00 000		37 00 00 000
Deferred Tax expenses			1 07 04 000		10 00 00 000
Fringe Benefit tax			1 60 00 000		2 15 00 000
Profit After Taxation			1 78 84 78 534		1 31 41 53 903
Balance brought forward from previous year			1 25 97 59 014		83 66 53 873
Amount available for appropriation			3 04 82 37 548		2 15 08 07 776
Appropriations					
Proposed dividend		73 03 66 560		64 92 14 720	
Corporate tax on dividend		12 41 25 797		11 03 34 042	
Transfer to General Reserve		17 90 00 000		13 15 00 000	
			1 03 34 92 357		89 10 48 762
Balance carried forward			2 01 47 45 191		1 25 97 59 014
Number of equity shares outstanding during the year of Rs.10/- each			3 24 60 736		3 24 60 736
Basic and diluted earnings per share (Rs.) (Refer Note B.16 of Schedule 17)			55.10		40.48
Significant Accounting Policies and Notes to Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 27, 2009

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***
D. Doss — ***Finance Manager***

Mumbai, August 27, 2009

Cash Flow Statement for the year ended June 30, 2009

	2008 - 2009		2007 - 2008	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from Operating Activities				
Profit Before Taxation		2 31 65 82 534		1 80 56 53 903
Adjustments for:				
Depreciation/Amortization	14 37 00 326		12 12 04 427	
Write- back of liabilities no longer required	(11 78 77 332)		(48 28 150)	
Interest income	(23 63 21 436)		(13 10 64 217)	
Interest expense	5 400		2 42 662	
Provision for employee benefits	(1 02 77 155)		2 90 54 558	
Unrealised Foreign Exchange (Gain)/Loss	(1 70 74 926)		(90 97 014)	
Loss/Scrapping on sale of Fixed Assets (net)	1 96 25 590		90 77 944	
		(21 82 19 533)		1 45 90 210
Operating profit before working capital changes		2 09 83 63 001		1 82 02 44 113
Adjustments for :				
Decrease/(Increase) in Trade and other receivables	1 13 10 924		(20 07 64 433)	
Increase in Inventories	(7 46 52 910)		(15 15 96 427)	
(Decrease)/Increase in Trade and other payables	(2 08 73 020)		44 30 85 910	
		(8 42 15 006)		9 07 25 050
Cash generated from operations		2 01 41 47 995		1 91 09 69 163
Direct taxes paid (net)		(35 84 86 823)		(58 93 20 620)
Net Cash generated from Operating Activities		1 65 56 61 172		1 32 16 48 543
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(37 35 21 077)		(21 52 23 352)	
Sale of fixed assets	18 17 615		1 52 355	
Interest received	22 50 96 354		15 90 65 272	
Loan to fellow subsidiary received/(given)	(1 74 93 78 493)		1 58 20 00 000	
Inter Corporate Deposits repaid/placed (net)	22 00 00 000		(74 00 00 000)	
Net Cash generated from/(used in) Investing Activities		(1 67 59 85 601)		78 59 94 275
C. Cash Flow from Financing Activities				
Dividend paid	(64 92 14 720)		(64 92 14 720)	
Corporate Tax on Dividend paid	(11 03 34 042)		(11 03 34 042)	
Interest paid	(5 400)		(2 42 662)	
Net Cash used in Financing Activities		(75 95 54 162)		(75 97 91 424)
D. Net Increase/(Decrease) in Cash and Cash Equivalents		(77 98 78 591)		1 34 78 51 394
E. Cash and Cash Equivalents at the beginning of the year		1 65 96 08 438		31 17 57 044
F. Cash and Cash Equivalents at the end of the year		87 97 29 847		1 65 96 08 438

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 Cash Equivalents include balances

		June 30, 2009		June 30, 2008
Cash on hand		1 174		14 027
With Scheduled Banks:				
On Current Accounts #		4 52 00 866		6 67 11 781
On Deposit Accounts *				
- Maturing less than 3 months	82 50 20 468		1 59 37 00 000	
- Maturing beyond 3 months	1 01 15 000	83 51 35 468	43 70 000	1 59 80 70 000
		88 03 37 508		1 66 47 95 808
Effect of exchange rate changes- (gain)/loss		(6 07 661)		(51 87 370)
Cash and Cash equivalents as restated		87 97 29 847		1 65 96 08 438

\# Includes an amount of Rs.1 44 24 507 (Previous year Rs.1 48 60 761) being balance in Unclaimed Dividends Accounts.

* Includes an amount of Rs.1 33 35 468 (Previous year Rs.73 70 000) placed as security against the guarantees provided by banks.

3 Previous years figures have been regrouped or rearranged wherever considered necessary.

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 27, 2009

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

D. Doss
Finance Manager

Mumbai, August 27, 2009

Schedules forming part of the accounts

	As at June 30, 2009 Rs.	As at June 30, 2009 Rs.	As at June 30, 2008 Rs.	As at June 30, 2008 Rs.
(1) Share Capital				
Authorised				
3 50 00 000 (Previous year: 3 50 00 000) equity shares of Rs.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 Rs.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 Share Premium

b) 2 23 10 090 (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.(Refer Note B.19 of Schedule 17)

	As at June 30, 2009 Rs.	As at June 30, 2009 Rs.	As at June 30, 2008 Rs.	As at June 30, 2008 Rs.
(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 13 01 23 369		99 86 23 369	
Transfer from Profit and Loss Account	17 90 00 000		13 15 00 000	
		1 30 91 23 369		1 13 01 23 369
Profit and Loss Account				
Surplus as per Profit and Loss Account		2 01 47 45 191		1 25 97 59 014
		4 07 58 06 350		3 14 18 20 173
(3) Deferred Tax Asset/(Liability)				
Deferred tax asset				
Excise and Sales Tax Provisions	4 33 95 669		6 27 88 533	
Payments made under Voluntary Retirement Scheme	81 64 542		5 05 656	
Other timing differences	1 20 76 225		1 06 53 605	
Total		6 36 36 436		7 39 47 794
Less: *Deferred tax liability*				
Depreciation	11 77 22 461		11 73 29 819	
Total		11 77 22 461		11 73 29 819
Deferred Tax Liability - Net		(5 40 86 025)		(4 33 82 025)

(4) Fixed Assets

Particulars	Gross Block at Cost				Depreciation/Amortization/Impairment				Net Block	
	As at July 1, 2008 Rs.	Additions/ Transfers during the year Rs.	Deletions/ Transfers during the year Rs.	As at June 30, 2009 Rs.	As at July 1, 2008 (Refer Note 1 below) Rs.	For the Year Rs.	On Deletions/ Transfers Rs.	As at June 30, 2009 Rs.	As at June 30, 2009 Rs.	As at June 30, 2008 Rs.
Land - Freehold -(Refer Note 2 below)	6 68 29 823	—	—	6 68 29 823	—	—	—	—	6 68 29 823	6 68 29 823
Land - Leasehold	1 72 00 709	—	—	1 72 00 709	1 39 00 421	1 76 035	—	1 40 76 456	31 24 253	33 00 288
Buildings	52 38 93 532	3 40 38 683	24 89 907	55 54 42 308	16 52 33 420	1 56 30 442	6 16 631	18 02 47 231	37 51 95 077	35 86 60 112
Plant and Machinery	1 23 02 81 719	12 85 60 316	5 97 17 203	1 29 91 24 832	49 36 87 973	10 41 12 754	4 06 04 067	55 71 96 660	74 19 28 172	73 65 93 746
Furniture and fixtures	3 65 07 995	89 68 061	16 86 581	4 37 89 475	2 24 18 324	40 29 962	13 86 051	2 50 62 235	1 87 27 240	1 40 89 671
Office equipment	14 82 80 384	1 42 79 197	59 67 950	15 65 91 631	9 80 81 112	99 67 115	58 11 687	10 22 36 540	5 43 55 091	5 01 99 272
Moulds and Dies	16 09 133	7 13 08 128	—	7 29 17 261	16 09 133	94 59 901	—	1 10 69 034	6 18 48 227	—
Vehicles	63 36 562	—	—	63 36 562	51 65 553	3 24 117	—	54 89 670	8 46 892	11 71 009
	2 03 09 39 857	**25 71 54 385**	**6 98 61 641**	2 21 82 32 601	**80 00 95 936**	**14 37 00 326**	**4 84 18 436**	89 53 77 826	1 32 28 54 775	1 23 08 43 921
Previous Year	1 63 61 99 244	42 11 84 440	2 64 43 827	2 03 09 39 857	69 61 05 037	12 12 04 427	1 72 13 528	80 00 95 936		
Capital work in progress (including advances on capital account)									24 51 48 015	12 87 81 323
									1 56 80 02 790	1 35 96 25 244

Notes:

1. Opening accumulated depreciation includes impairment on Land-Leasehold Rs.91 07 650; on Buildings Rs.7 49 86 109; on Plant and Machinery Rs.2 05 34 937 and on Office Equipment Rs.30 621 in 2002-03.
2. Land - Freehold includes Rs.6 67 10 299 (Previous year Rs.6 67 10 299) being the company's share (90%) of assets jointly owned with other parties.

Schedules forming part of the accounts

	As at June 30, 2009 Rs.	Rs.	As at June 30, 2008 Rs.	Rs.
(5) Inventories (At lower of cost or net realisable value)				
Raw materials		10 15 23 412		9 46 02 171
Packaging materials		4 92 15 158		2 82 54 476
Stores and spare parts		5 60 21 525		5 02 40 188
Work-in-process		63 85 544		1 93 01 898
Finished goods		32 66 82 616		27 27 76 612
		53 98 28 255		46 51 75 345
(6) Sundry Debtors - Unsecured, considered good				
Debts outstanding for a period exceeding six months		3 06 54 359		4 16 643
Other debts		19 44 73 204		13 29 64 978
		22 51 27 563		13 33 81 621
(Refer Note B.10 of Schedule 17- Dues from Companies under the same management)				
(7) Cash and Bank Balances				
Cash on hand		1 174		14 027
Bank balances with scheduled banks in :				
Current accounts		4 52 00 866		6 67 11 781
Deposit accounts*		83 51 35 468		1 59 80 70 000
		88 03 37 508		1 66 47 95 808
* includes Rs.1 33 35 468 (Previous year Rs.73 70 000) placed as security against guarantees provided by banks.				
(8) Other Current Assets				
Interest accrued on Loan to fellow subsidiary		1 07 94 503		—
Interest accrued on inter-corporate deposits		11 83 560		52 57 891
Interest accrued on bank deposits		81 13 755		36 08 845
		2 00 91 818		88 66 736
(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		46 98 35 329		53 65 87 296
Considered Doubtful	6 07 87 849		6 50 54 303	
Less: *Provisions for doubtful loans and advances*	6 07 87 849	—	6 50 54 303	—
Loan to fellow subsidiary (Refer Note B.11 of Schedule 17)		1 74 93 78 493		—
Inter-corporate deposits		72 00 00 000		94 00 00 000
Other deposits		10 70 61 000		13 38 27 610
Balance with customs and excise		41 95 740		50 63 480
Advance Tax paid (Net of provisions Rs.2 08 17 99 620, Previous Year Rs.1 58 03 99 620)		21 47 25 352		37 36 38 529
Advance Fringe Benefit Tax (Net of provisions Rs.8 00 00 000, Previous Year Rs.6 40 00 000)		1 76 05 265		1 76 05 265
		3 28 28 01 179		2 00 67 22 180

Schedules forming part of the accounts

	As at June 30, 2009 Rs.	As at June 30, 2008 Rs.
(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 02 31 00 101	1 16 40 28 868
Investor Education Protection Fund		
- Unclaimed dividends#	1 44 24 507	1 48 60 761
Other current liabilities	11 91 80 418	12 95 49 835
	1 15 67 05 026	1 30 84 39 464

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

	As at June 30, 2009 Rs.	As at June 30, 2008 Rs.
(11) Provisions		
Employee benefits	5 04 91 995	6 07 69 150
Proposed dividend	73 03 66 560	64 92 14 720
Corporate tax on dividend	12 41 25 797	11 03 34 042
	90 49 84 352	82 03 17 912

	2008 - 2009 Rs.	2008 - 2009 Rs.	2007 - 2008 Rs.	2007 - 2008 Rs.
(12) Other Income				
Interest on loans and deposits (gross) (tax deducted at source Rs.5 35 50 437; Previous year : Rs.5 91 17 067)		23 63 21 436		13 10 64 217
Write- back of liabilities no longer required		11 78 77 332		48 28 150
Research and Development and other charges		19 15 610		20 08 660
Business process outsourcing income		62 29 095		66 29 618
Miscellaneous Income		1 09 00 716		65 27 776
		37 32 44 189		15 10 58 421
(13) Decrease/(Increase) in finished goods and work-in-process				
Opening Balance				
Work-in-process	1 93 01 898		82 94 898	
Finished goods (including excise duty Rs.73 457	27 27 76 612		15 19 38 266	
Previous year Rs.99 37 830)		29 20 78 510		16 02 33 164
Closing Balance				
Work-in-process	63 85 544		1 93 01 898	
Finished goods	32 66 82 616		27 27 76 612	
(including excise duty Rs.NIL Previous year Rs.73 457)		33 30 68 160		29 20 78 510
		(4 09 89 650)		(13 18 45 346)

Schedules forming part of the accounts

	2008 - 2009		2007 - 2008	
	Rs.	Rs.	Rs.	Rs.
(14) Payments to and provisions for employees				
Salaries, wages and bonus		47 38 24 353		34 81 49 885
Contribution to provident and other funds		10 02 32 455		15 54 83 502
Staff welfare expenses		4 55 71 342		3 83 33 372
Less: *Reimbursement of Salary and Benefits shared by group companies* (Refer Note B.17 of Schedule 17)		(27 32 09 592)		(14 46 80 634)
		34 64 18 558		39 72 86 125
(15) Operating and other expenses				
Consumption of Stores and spare parts		3 12 22 080		3 79 82 943
Rent (Refer Note B. 8 of Schedule 17)		1 13 59 267		2 17 13 631
Rates and Taxes				
Excise Duty (Refer Note B. 6 of Schedule 17)		(73 457)		(98 64 373)
Others		8 13 786		5 32 732
Insurance		35 13 494		36 12 804
Power and fuel		7 84 26 164		8 26 08 304
Repairs and maintenance:				
Plant and machinery		1 44 32 961		2 64 24 521
Buildings		52 79 927		31 43 955
Others		2 05 535		2 25 547
Processing charges		14 20 83 246		20 57 11 276
Auditor's remuneration:				
As Auditor	44 75 000		36 75 000	
Tax Audit and Certification	18 00 000		21 50 000	
Reimbursement of Out-of-pocket expenses	1 81 653		1 50 000	
Service Tax	6 65 035		7 38 510	
Total Auditor's remuneration:		71 21 688		67 13 510
Trade Incentives		33 97 13 458		17 41 98 893
Advertising expenses		89 56 39 121		68 83 95 340
Freight, transport, warehousing and distribution charges		42 71 48 881		31 07 38 756
Commission to directors		38 75 000		45 00 000
Royalty		41 81 17 934		34 18 01 769
Turnover and Resale Tax		15 04 79 541		14 50 39 166
Travelling, Conveyance and Vehicle expenses		6 88 68 697		7 90 65 971
Communications		3 07 83 186		2 50 03 499
Business process outsourcing expenses		8 84 04 334		6 67 93 602
Computer expenses		1 78 72 556		1 11 73 245
Loss on sale/scrapping of fixed assets (Net)		1 96 25 590		90 77 944
Exchange Loss (Net)		2 09 93 404		2 25 44 584
Professional services		8 21 33 394		12 59 99 313
Distributor Coverage Expenses		10 92 80 882		11 39 20 356
Others		14 41 14 159		14 36 92 981
		3 11 14 34 828		2 64 07 50 269
Less: *Reimbursement of Expenses shared by group companies* (Refer Note B.17 of Schedule 17)		(12 74 00 703)		(10 17 90 633)
		2 98 40 34 125		2 53 89 59 636
(16) Interest				
Bank Interest		5 400		2 27 148
Others		—		15 514
		5 400		2 42 662

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.

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 Rs.5 000 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 assets 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.

Schedules forming part of the accounts

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 (upto December 31, 2007 and from April 1, 2009);

— 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.

— Provident fund administered by Company's own trust (w.e.f. January 1, 2008 and till March 31, 2009).

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 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.

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, fringe benefit 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). 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.

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.

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.

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.

Schedules forming part of the accounts

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 - Rs.25 80 42 721 (Previous Year : Rs.35 70 68 262)

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 mainly including advertisement and tax holiday etc.

(ii) In respect of Sales Tax matters for which the Company has preferred appeals with appropriate authorities - Rs.10 06 72 419 (Previous Year : Rs.11 66 36 607)

The liability is in respect to matters related to: non-submission of "C" Forms / "F" Forms Rs.1 25 577, Incomplete accounts books Rs.1 05 62 077, Classification issues Rs.76 07 120, Product valuation issues Rs.8 19 74 831 and other miscellaneous issues Rs.4 02 814.

(iii) In respect of Excise, Customs and Service Tax matters for which the Company has preferred appeals with appropriate authorities Rs.5 77 55 812 (Previous Year : Rs.21 79 53 916).

The liability is in respect to: classification matters Rs.23 50 490, valuation matters Rs.3 80 06 429, applicability of Service Tax on testing charges Rs.1 64 678 and others Rs.2 34 215.

The Customs liability is towards the old advance licence matters which are in dispute.

(iv) In respect of counter guarantees given to bank against guarantees given by bank : Rs.11 28 94 773 (Previous Year : Rs.7 98 45 327)

At the request of the Company, its banks have issued guarantees in the event of the Company failing to fulfil its 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 - Rs.22 22 829 (Previous Year : Rs.21 02 588)

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.

(b) Estimated amount of contracts remaining to be executed on capital account (net of advances) - Rs.13 18 83 576 (Previous year: Rs.3 54 18 082)

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

I Defined Contribution Plans

a. Provident Fund (Previous Year upto December 31, 2007 and Current Year from April 1, 2009)
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:

	2008-2009 Rs.	2007-2008 Rs.
- Employer's contribution to Provident Fund (previous year upto December 31, 2007 and current year from April 1, 2009)	**1 10 74 231**	1 61 90 424
- Employer's contribution to Superannuation Fund	**5 30 98 494**	4 26 37 399
- Employer's contribution to Employees' State Insurance	**2 84 589**	3 27 004

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. Provident Fund (Funded Scheme). With effect from January 1, 2008 the Company manages Provident Fund plan through Company's own Provident Fund Trust alongwith one other group company for its employees. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by

Schedules forming part of the accounts

the Provident Fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

c. 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 (Rs.)				Non-Funded Scheme (Rs.)	
	Gratuity		Provident Fund *		PRMB	
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Present Value of Obligation as at opening date	23 37 06 000	20 49 51 000	3 83 72 000	—	1 39 96 000	1 42 52 000
Interest Cost	1 86 29 000	1 66 74 000	71 87 000	17 77 000	12 02 000	11 99 000
Current Service Cost	1 38 86 000	1 10 17 000	3 17 47 000	1 78 43 000	3 75 000	3 82 000
Service Contribution - Employee	—	—	3 32 72 000	1 87 52 000	—	—
Acquisitions/transfers	—	—	5 12 000	—	—	—
Benefits Paid	(3 91 49 000)	(1 75 70 000)	(1 72 26 000)	—	(3 68 000)	(2 92 000)
Actuarial (gain)/loss on Obligations	1 12 49 000	1 86 34 000	4 97 00 000	—	(2 02 000)	(15 45 000)
Present Value of Obligation as at closing date	23 83 21 000	23 37 06 000	14 35 64 000	3 83 72 000	1 50 03 000	1 39 96 000

B) Changes in the Fair Value of Plan Assets (For Funded Scheme)

	2008-2009	2007-2008	2008-2009	2007-2008
Fair Value of Plan Assets as at opening date	21 66 39 000	23 32 03 000	3 83 72 000	—
Expected Actual Return on Plan Assets	1 85 65 000	1 74 22 000	5 68 87 000	17 77 000
Actuarial Gains and (Losses)	2 53 38 000	(3 21 57 000)	—	—
Contributions	7 00 00 000	1 57 41 000	6 55 31 000	3 65 95 000
Benefits Paid	(3 91 49 000)	(1 75 70 000)	(1 72 26 000)	—
Assets Distributed on Settlement	—	—	—	—
Fair Value of Plan Assets as at closing date	29 13 93 000	21 66 39 000	14 35 64 000	3 83 72 000

C) Amount recognized in the Balance Sheet

	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Present Value of Obligation as at closing date	23 83 21 000	23 37 06 000	14 35 64 000	3 83 72 000	1 50 03 000	1 39 96 000
Fair Value of Plan Assets as at closing date	29 13 93 000	21 66 39 000	14 35 64 000	3 83 72 000	—	—
Liability/(Asset) recognized in the Balance Sheet	(5 30 72 000)	1 70 67 000	—	—	1 50 03 000	1 39 96 000

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

D) Expenses recognized in the Profit and Loss Account

	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Current Service Cost	1 38 86 000	1 10 17 000	3 17 47 000	1 78 43 000	3 75 000	3 82 000
Interest Cost	1 86 29 000	1 66 74 000	71 87 000	17 77 000	12 02 000	11 99 000
Expected Return on Plan Assets	(1 85 65 000)	(1 74 22 000)	(5 68 87 000)	(17 77 000)	—	—
Net actuarial (gain)/loss recognized in the period	(1 40 89 000)	5 07 91 000	4 97 00 000	—	(2 02 000)	(15 45 000)
Total Expenses recognized in the Profit and Loss Account	(1 39 000)	6 10 60 000	3 17 47 000	1 78 43 000	13 75 000	36 000

Included in Contribution to Provident and Other Funds (Refer Schedule 14)

E) Category of Plan Assets

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

	Gratuity		Provident Fund *	
	2008-2009	2007-2008	2008-2009	2007-2008
Public Sector Unit	38%	50%	45%	56%
Government Of India Securities	24%	19%	32%	24%
State Government Securities	26%	18%	16%	9%
Special Deposit scheme	11%	13%	7%	11%
Private Sector Unit	1%	—	—	—

Schedules forming part of the accounts

F) Sensitivity of Results to Medical Inflation Rate

Medical Inflation Rate	Current Service + Interest Cost (Rs.)		Present Value of Defined Benefit Obligation (Rs.)	
	2008-2009	2007-2008	2008-2009	2007-2008
Effect of 1% increase (5%)	18 25 000	18 26 000	1 66 86 000	1 54 44 000
Effect of 1% decrease (3%)	13 92 000	14 00 000	1 37 21 000	1 28 87 000

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		Funded Scheme - Provident Fund *		Non-Funded Scheme - Post Retirement Medical Benefit	
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Discount rate (per annum)	8.20%	8.7%	8.20%	8.70%	8.20%	8.70%
Average Salary increase rate	7.00%	8.0%	7.00%	8.00%	N/A	N/A
Rate of Return on Plan Assets (For Funded Scheme)	8.00%	8.0%	8.50%	8.50%	N/A	N/A
Medical Inflation Rate	N/A	N/A	N/A	N/A	4.00%	4.00%
Expected Retirement age of employees (years)	60	60	60	60	60	60

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

Age	Withdrawal Rate(%)					
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Upto 45 years	5%	5%	N/A	N/A	5%	5%
Above 45 years	3%	3%	N/A	N/A	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.

	Funded Scheme - Gratuity			Non-Funded Scheme - Post Retirement Medical Benefit		
Experience History	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2009	June 30, 2008	June 30, 2007
Defined Benefit Obligation as at closing date	(23 83 21 000)	(23 37 06 000)	(20 48 51 000)	(1 50 03 000)	(1 39 96 000)	(1 42 52 000)
Plan Assets as at closing date	29 13 93 000	21 66 39 000	23 32 03 000	—	—	—
Funded Status	5 30 72 000	(1 70 67 000)	2 83 52 000	(1 50 03 000)	(1 39 96 000)	(1 42 52 000)
Experience Gain/(Loss) adjustments on plan liabilities	(2 35 93 000)	(2 32 91 000)	—	11 77 000	—	—
Experience Gain/(Loss) adjustments on plan assets	2 53 37 000	3 21 57 000	—	—	—	—
Actuarial Gain/(Loss) due to change on assumptions	1 23 44 000	46 57 000	—	(9 75 000)	—	—

As this is the third year in which the AS-15 has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four years have not been furnished.

The contribution expected to be made by the Company during financial year ending June 30, 2010 has not been ascertained.

* The Company's Provident Fund is administered by Company's own Trust Fund, with effect from January 1, 2008. The Company has an obligation to service the shortfall on account of interest generated by the Fund and on maturity of Fund investments and hence the same has been classified as Defined Benefit Obligation. Having regard to the assets of the Fund and the return on investments, the Company does not expect any deficiency in the forseeable future. Accordingly, the disclosures relating to Provident Fund as required in accordance with AS-15, has been given for the previous period from January 1, 2008 to June 30, 2008 and for the current year from July 1, 2008 to March 31, 2009. The entity has moved the Provident Fund contribution to Regional Provident Fund Office w.e.f April 1, 2009. Accordingly figures in respect of Provident Fund as a defined benefit obligation are stated as at March 31, 2009.

Schedules forming part of the accounts

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

	2008-2009 Rs.	2007-2008 Rs.
Profit before Tax	2 31 65 82 534	1 80 56 53 903
Add: Managerial Remuneration	4 96 79 231	2 83 28 355
Add: Loss on sale of assets	1 96 25 590	90 77 944
Net profit u/s. 349 for the purpose of Directors' Commission	2 38 58 87 355	1 84 30 60 202
Maximum remuneration permissible to whole-time Directors under the Act at 10%	23 85 88 735	18 43 06 020
Total Managerial Remuneration charged to accounts	4 58 04 231	2 38 28 355
Commission payable to non-whole time Directors at 1%	2 38 58 874	1 84 30 602
Commission restricted as determined by the Board of Directors	38 75 000	45 00 000

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

	2008-2009 Rs.	2007-2008 Rs.
Salary	4 08 75 400	2 12 94 810
Contribution to Provident Fund and other Funds (excluding gratuity)	—	1 13 463
Perquisites in cash or in kind	49 28 831	24 20 082
Commission to Non Executive Directors	38 75 000	45 00 000
Total Managerial Remuneration	4 96 79 231*	2 83 28 355

The previous year remuneration includes an amount paid to the Managing Director from July 1, 2007 to October 12, 2007 amounting to Rs.1 09 25 835 which was subject to approval of the members of the company at the Annual General Meeting held on October 12, 2007. The same has since been approved.

* Refer to note B.15 below

(b) The above managerial remuneration includes Rs.3 38 95 131 (Previous Year : Rs.1 75 96 296) 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.

(c) The above managerial remuneration excludes Rs.26 00 528 (Previous Year : Rs.19 99 233) cross charged from Gillette India Limited in terms of the common service agreement referred to in Note B.17 below.

5. (a) Sales :

Class of Goods :	Units	2008-2009 Quantity	2008-2009 Value Rs.	2007-2008 Quantity	2007-2008 Value Rs.
Ointments and Creams	Tonnes	1 270	1 48 60 31 534	1 236	1 35 73 72 647
Cough Drops	Tonnes	4 049	1 12 20 09 215	3 761	1 03 94 15 027
Liquids	Kls.	5	16 82 62 224	4	14 62 10 657
Tablets	Millions	501	67 10 20 335	557	58 55 03 515
Personal Products, Toilet Preparations, etc..	Tonnes	12 519	4 27 87 94 125	10 021	3 39 79 52 945
Others			41 57 798		—
			7 73 02 75 231		6 52 64 54 791

(b) Consumption of raw & packaging materials :

	Units	2008-2009 Quantity	2008-2009 Value Rs.	2007-2008 Quantity	2007-2008 Value Rs.
Chemicals, waxes and oils	Tonnes	27 603	1 61 81 42 247	25 330	1 21 27 59 728
Sugar and liquid glucose	Tonnes	5 039	11 01 89 919	4 598	10 31 32 869
Foils	Tonnes	945	8 06 25 969	1 374	6 93 36 367
Containers, cartons, boxes etc.	Millions	510	54 99 06 282	477	48 08 07 944
			2 35 88 64 417		1 86 60 36 908

Schedules forming part of the accounts

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

	2008-2009 Rs.	2008-2009 Percentage	2007-2008 Rs.	2007-2008 Percentage
Raw and packaging materials :				
Indigenously obtained	2 11 20 07 332	89.5	1 44 49 77 830	77.4
Imported at landed cost	24 68 57 085	10.5	42 10 59 078	22.6
	2 35 88 64 417	100.0	1 86 60 36 908	100.0
Stores and spare parts :				
Indigenously obtained	33 46 906	10.7	2 60 72 015	68.6
Imported at landed cost	2 78 75 174	89.3	1 19 10 928	31.4
	3 12 22 080	100.0	3 79 82 943	100.0

(d) Opening and closing stock of finished goods :

	Units		Opening Quantity	Opening Value Rs.	Closing Quantity	Closing Value Rs.
Ointments and Creams	Tonnes	2008-2009	226	11 80 53 147	274	14 55 99 399
		2007-2008	67	2 91 49 105	226	11 80 53 147
Cough Drops	Tonnes	2008-2009	340	3 80 59 980	508	4 60 35 073
		2007-2008	166	1 71 40 863	340	3 80 59 980
Liquids	Kls.	2008-2009	1	45 16 699	1	92 28 341
		2007-2008	1	26 53 662	1	45 16 699
Tablets	Millions	2008-2009	40	1 50 12 945	47	1 83 46 058
		2007-2008	73	2 82 71 162	40	1 50 12 945
Personal Products, Toilet Preparations, etc..	Tonnes	2008-2009	552	9 71 33 841	656	10 74 73 745
		2007-2008	453	7 47 23 474	552	9 71 33 841
Total		2008-2009		27 27 76 612		32 66 82 616
		2007-2008		15 19 38 266		27 27 76 612

(e) Purchase of finished goods :

	Units	2008-2009 Quantity	2008-2009 Value Rs.	2007-2008 Quantity	2007-2008 Value Rs.
Personal Products, Toilet Preparations, etc..	Tonnes	54	66 86 186	3 345	37 69 320
			66 86 186		37 69 320

(f) Production in respect of goods manufactured - Licensed and installed capacities and actual production :

	Units of Measurement	Annual Capacity Licensed 2008-2009	Licensed 2007-2008	Installed (three shift basis) 2008-2009	Installed 2007-2008	Actual Production 2008-2009	Actual Production 2007-2008
Menthol	Tonnes	147	147	—	—	—	—
Dementholised Peppermint Oil	Tonnes	147	147	—	—	—	—
Formulations:							
Ointments & Creams	Tonnes	3 300	3 495	3 300	9 947	1 318	1 396
Cough Drops	Tonnes	9 140	6 833	9 140	5 472	4 217	3 935
Liquids	Kls.	63	1 625	63	66	5	4
Tablets Millions		1 198	960	1 198	960	508	524
Powder Tonnes		35	35	—	—	—	—
Personal Products, Toilet Preparations, etc..	Tonnes	16 800	16 800	11 602	10 035	12 570	6 775

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.

Schedules forming part of the accounts

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

	2008-2009 Rs.	2007-2008 Rs.
Raw materials	93 90 44 166	65 08 19 586
Spare parts	2 78 75 174	1 19 10 928
Capital goods	9 09 67 217	95 93 965
	1 05 78 86 557	67 23 24 479

(h) Expenditure in foreign currency :

	2008-2009 Rs.	2007-2008 Rs.
Royalty	41 81 17 934	34 18 01 769
Travel	96 87 656	1 19 93 627
Professional Consultancy fees	2 98 78 804	22 98 575
Computer expenses	1 67 62 295	1 10 64 731
Business process outsourcing expenses	8 84 04 334	6 67 93 602
	56 28 51 023	43 39 52 304

(i) Remittance made on account of dividend in foreign currency during the year :

	2008-2009	2007-2008
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, 2008 Final (Rs.)	44 62 01 800	—
June 30, 2007 Final (Rs.)	—	44 62 01 800

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.

(j) Earnings in foreign exchange :

	2008-2009 Rs.	2007-2008 Rs.
Business process outsourcing income	62 29 095	66 29 618
Research & Development and other cross charges	19 15 610	20 08 660
Exports of goods calculated on f.o.b. basis (excludes Rupee exports to Nepal and Bhutan Rs.2 68 38 234 - Previous year Rs.2 18 12 110)	7 99 13 002	1 23 71 707
Others (freight, insurance etc.)	53 84 185	7 23 218
	9 34 41 892	2 17 33 203

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 June 30, 2009. Foreign currency exposures as the year end that have not been hedged by the Company by a derivative instrument or otherwise are given below:

	Currency	As at June 30, 2009	As at June 30, 2008
(a) Amounts receivable in foreign currency			
Export of goods	Rs.	3 32 42 368	—
	USD	6 94 433	—
Reimbursable expenses receivable	Rs.	1 47 85 714	1 35 09 396
	USD	3 08 874	3 16 230
	SGD	—	681
Capital and Spares	Rs.	5 21 570	2 30 89 402
	EUR	3 617	29 678
	JPY	56 000	56 000
	USD	6 343	4 97 666

Schedules forming part of the accounts

	Currency	As at June 30, 2009	As at June 30, 2008
(b) Amounts payable in foreign currency			
Import of goods and services	**Rs.**	**5 86 22 549**	5 36 38 235
	USD	**11 51 947**	12 93 137
	EUR	**2 426**	—
	SGD	**26 645**	—
	JPY	**—**	1 42 284
	AUD	**62 841**	—
Reimbursable expenses payable	**Rs.**	**6 32 38 599**	5 96 78 184
	USD	**13 18 706**	12 30 209
	JPY	**—**	2 07 09 850
	SGD	**3 277**	—
Capital and Spares	**Rs.**	**1 59 35 655**	87 38 835
	JPY	**97 11 212**	79 72 776
	EUR	**1 60 314**	120
	USD	**5 400**	1 27 881
Package Fee payable	**Rs.**	**7 95 02 129**	6 70 24 913
	USD	**16 60 799**	15 64 361

8. The Company has taken on lease for 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 agreements. Lease payments amounting to Rs.3 88 58 655 (Previous Year : Rs.2 17 13 631) have been charged to the Profit and Loss Account for the year.

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, 2009 Rs.	As at June 30, 2008 Rs.
Procter & Gamble Bangladesh Pvt. Ltd.	**—**	—
Procter & Gamble Lanka Pvt. Ltd.	**—**	—
Procter & Gamble International Operations Pte. Ltd.	**3 44 35 685**	—
Procter & Gamble Home Products Ltd.	**41 57 799**	—
	3 85 93 484	—

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, 2009 Rs.	Maximum Balance Rs.	As at June 30, 2008 Rs.	Maximum Balance Rs.
Procter & Gamble Asia Pte. Ltd.	33 13 202	33 13 202	23 43 964	2 16 28 529
Procter & Gamble Company, USA	—	29 01 336	29 01 336	40 20 774
Procter & Gamble International Operations (Ceemea Division)	—	—	—	1 54 547
The Procter & Gamble Manufacturing Co.	17 89 277	30 56 814	30 56 814	30 56 814
Procter & Gamble Distributing Company	—	—	—	46 800
Procter & Gamble US Business Services Company	1 45 706	6 10 251	6 10 251	6 10 251
Procter & Gamble Hair Care LLC	—	4 37 486	4 37 486	4 37 486
Procter & Gamble Australia Pty Ltd.	1 13 121	2 53 175	2 23 226	15 31 505
Procter & Gamble (Guangzhou) Ltd.	31 98 233	31 98 233	12 29 364	2 96 09 871
Procter & Gamble (Manufacturing) Ireland Ltd.	—	62 257	62 257	62 257
Procter & Gamble UK	1 39 659	10 74 150	87 880	87 880
Procter & Gamble Philippines Inc.	64 244	89 260	86 110	86 110
Procter & Gamble Kabushiki Kaisha	—	2 35 077	2 35 077	3 39 326
Procter & Gamble Europe N.V.	—	—	—	72 980
Procter & Gamble International Operations Pte. Ltd.	30 10 308	32 02 851	32 02 851	32 02 851
Procter & Gamble International Operations SA	1 62 393	2 50 125	1 23 914	1 23 914
Procter & Gamble Malaysia Sdn. Bhd	—	1 21 064	1 21 064	1 21 064
Procter & Gamble Manufacturing (Thailand) Ltd.	1 34 999	1 34 999	1 01 261	20 50 000
Procter & Gamble Singapore Pte. Ltd.	—	96 930	69 248	69 248
Procter & Gamble Sri Lanka Pvt. Ltd.	—	83 050	83 050	83 050
Procter & Gamble Technical Centers Ltd.	—	2 61 652	2 61 652	2 61 652
Procter & Gamble Technology (Beijing) Co.	1 26 076	8 98 055	8 98 055	8 98 055
Procter & Gamble Vietnam Ltd.	—	—	—	1 41 300
Procter & Gamble Trading (Thailand) Ltd.	—	—	—	74 259
Procter & Gamble (Changdu) Ltd.	—	—	—	2 18 656
Gillette India Limited	2 06 71 503	9 59 34 903	9 59 34 903	9 59 34 903
Wella India Hair cosmetics Pvt. Ltd.	16 13 002	16 13 002	7 53 025	16 64 975
Procter & Gamble Tuketim Mallari Sanayl	2 41 577	2 56 886	2 22 515	2 22 515
Procter & Gamble Distributing (Philippines) Inc.	46 035	46 035	—	—
Procter & Gamble Home Products Ltd. (Loan a/c.)	1 74 93 78 493	1 84 90 72 733	—	—
Procter & Gamble Home Products Ltd. (others)	12 90 72 718	21 87 05 233	21 87 05 233	1 70 43 45 883
	1 91 32 20 546		33 17 50 536	

(b) Loans and Advances includes :

Car Loan to a Director amounting to Rs.17 80 001 (Previous year Rs.18 80 760) 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 Rs.18 80 760 (Previous year Rs.21 00 000).

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.

(a) Parties where control exists :

The Procter and Gamble Company, USA - Ultimate Holding Company

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

i) Fellow Subsidiaries:

Procter & Gamble Home Products Ltd.
Procter & Gamble Malaysia Sdn. Bhd.
Procter & Gamble Manufacturing (Thailand) Ltd.
Procter & Gamble Lanka Pvt. Ltd.
Procter & Gamble (Changdu) Ltd.
Procter & Gamble Asia Pte. Ltd
Procter & Gamble Australia Pty. Ltd.
Procter & Gamble US Business Services Company
Procter & Gamble International Operations Pte. Ltd.
Procter & Gamble Northeast Asia Pte. Ltd.
Procter & Gamble International Operations SA
Gillette India Limited
Procter & Gamble Singapore Pte. Ltd.
Gillette Diversified Operations Private Limited
Procter & Gamble Distributing (Philippines) Inc.
Procter & Gamble Panda Detergent Ltd, Beijing
Procter & Gamble Tuketim Mallari Sanayl
Procter & Gamble (Guangzhou) Ltd.
Procter & Gamble UK
Procter & Gamble Product Supply (UK) Ltd.
Procter & Gamble Technology (Beijing) Co.
Procter & Gamble Vietnam Ltd.
Procter & Gamble Kabushiki Kaisha
Procter & Gamble Far East Inc.
Procter & Gamble Korea Inc.
Procter & Gamble S.A. Chile
P&G (East Africa) Ltd.
PT P&G Home Products Indonesia
P&G Ceemea- A Division of P&G International Operations SA
Fameccanica Machinery (Shanghai) Co.
Procter & Gamble Korea S&D Co.
Procter & Gamble Philippines Inc.
Procter & Gamble Technical Centers Ltd.
Procter & Gamble Trading (Thailand) Ltd.
Procter & Gamble Bangladesh Pvt. Ltd.
Procter & Gamble Manufacturing Company
Procter & Gamble Europe N.V.
Wella India Hair cosmetics Pvt. Ltd.
Procter & Gamble Eastern Europe LLC
Procter & Gamble (Manufacturing) Ireland Ltd.
Procter & Gamble distributing Company
Procter & Gamble Taiwan Ltd.
Rosemount LLC
Procter & Gamble Hair Care LLC

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

(c) Transactions during the year :

(Amount in Rs.)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Sales & Income						
Goods						
- Procter & Gamble Lanka Pvt. Ltd.	2008-2009	—	1 13 39 939	—	—	1 13 39 939
- Procter & Gamble International Operations Pte. Ltd.	2008-2009	—	6 55 32 803	—	—	6 55 32 803
- Others	2008-2009	—	84 24 445	—	—	84 24 445
- Procter & Gamble Lanka Pvt. Ltd.	2007-2008	—	90 59 204	—	—	90 59 204
- Procter & Gamble Bangladesh Pvt. Ltd.	2007-2008	—	31 58 874	—	—	31 58 874
- Procter & Gamble International Operations Pte. Ltd.	2007-2008	—	16 09 025	—	—	16 09 025
Relocation and other reimbursements						
- Procter & Gamble Home Products Ltd.	2008-2009	—	25 43 75 216	—	—	25 43 75 216
- Gillette India Ltd.	2008-2009	—	12 74 36 525	—	—	12 74 36 525
- Others	2008-2009	2 31 35 450	1 32 66 391	—	—	3 64 01 841
- Procter & Gamble Home Products Ltd.	2007-2008	—	24 05 40 218	—	—	24 05 40 218
- Gillette India Ltd.	2007-2008	—	18 61 77 294	—	—	18 61 77 294
- Others	2007-2008	85 81 148	1 74 03 708	—	—	2 59 84 856

Schedules forming part of the accounts

(Amount in Rs.)

Nature of transactions		**Holding Company & Ultimate Holding Company**	**Fellow Subsidiary Companies**	**Key Management Personnel**	**Relatives of Key Management Personnel**	**Total**
Business Process Outsourcing income						
- Procter & Gamble Asia Pte. Ltd.	2008-2009	—	62 29 095	—	—	62 29 095
- Procter & Gamble Asia Pte. Ltd.	2007-2008	—	66 29 618	—	—	66 29 618
Retirals reimbursements						
- Procter & Gamble (Guangzhou) Ltd.	2008-2009	—	38 86 818	—	—	38 86 818
- Procter & Gamble Asia Pte. Ltd.	2008-2009	—	47 50 141	—	—	47 50 141
- Procter & Gamble International Operations Pte. Ltd.	2008-2009	—	25 26 695	—	—	25 26 695
- The P&G Company, USA	2008-2009	34 31 995	—	—	—	34 31 995
- Procter & Gamble Home Products Ltd.	2008-2009	—	29 27 343	—	—	29 27 343
- Others	2008-2009	—	54 03 238	—	—	54 03 238
- Procter & Gamble (Guangzhou) Ltd.	2007-2008	—	3 22 69 804	—	—	3 22 69 804
- Others	2007-2008	38 39 617	1 84 40 005	—	—	2 22 79 622
Reimbursement of expenses shared by group cos.						
- Procter & Gamble Home Products Ltd.	2008-2009	—	39 17 24 663	—	—	39 17 24 663
- Gillette India Limited	2008-2009	—	15 41 14 378	—	—	15 41 14 378
- Procter & Gamble Home Products Ltd.	2007-2008	—	21 34 80 472	—	—	21 34 80 472
- Gillette India Limited	2007-2008	—	11 80 55 188	—	—	11 80 55 188
Interest income						
- Procter & Gamble Home Products Ltd.	2008-2009	—	13 26 88 227	—	—	13 26 88 227
- Others	2008-2009	—	—	2 19 092	—	2 19 092
- Procter & Gamble Home Products Ltd.	2007-2008	—	3 65 86 301	—	—	3 65 86 301
- Others	2007-2008	—	—	1 18 629	—	1 18 629
Purchases & Expenses						
Goods						
- Procter & Gamble (Guangzhou) Ltd.	2008-2009	—	1 24 70 251	—	—	1 24 70 251
- Procter & Gamble International Operations SA	2007-2008	—	45 69 345	—	—	45 69 345
- Procter & Gamble International Operations Pte. Ltd.	2007-2008	—	90 22 706	—	—	90 22 706
Royalty	2008-2009	41 81 17 934	—	—	—	41 81 17 934
	2007-2008	34 18 01 769	—	—	—	34 18 01 769
Assets/Spares						
- Procter & Gamble Kabushiki Kaisha	2008-2009	—	72 41 386	—	—	72 41 386
- Fameccanica Machinery (Shanghai) Co.	2008-2009	—	1 68 34 565	—	—	1 68 34 565
- Procter & Gamble Kabushiki Kaisha	2007-2008	—	49 19 563	—	—	49 19 563
Business Process Outsourcing expenses						
- Procter & Gamble Asia Pte. Ltd.	2008-2009	—	8 84 04 334	—	—	8 84 04 334
- Procter & Gamble Asia Pte. Ltd.	2007-2008	—	6 67 93 602	—	—	6 67 93 602
Relocation and other reimbursements						
- Procter & Gamble Home Products Ltd.	2008-2009	—	22 24 37 279	—	—	22 24 37 279
- The P&G Company, USA	2008-2009	2 85 22 174	—	—	—	2 85 22 174
- Others	2008-2009	—	5 71 53 564	—	—	5 71 53 564
- Procter & Gamble Home Products Ltd.	2007-2008	—	31 29 37 052	—	—	31 29 37 052
- Gillette India Limited	2007-2008	—	6 05 74 716	—	—	6 05 74 716
- Others	2007-2008	12 34 064	2 77 46 503	—	—	2 89 80 567
Reimbursement of expenses shared by group cos.						
- Procter & Gamble Home Products Ltd.	2008-2009	—	9 22 12 153	—	—	9 22 12 153
- Gillette India Limited	2008-2009	—	5 30 16 592	—	—	5 30 16 592
- Procter & Gamble Home Products Ltd.	2007-2008	—	1 74 61 936	—	—	1 74 61 936
- Gillette India Limited	2007-2008	—	1 76 21 456	—	—	1 76 21 456

Schedules forming part of the accounts

(Amount in Rs.)

Nature of transactions		Holding Company & Ultimate Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Remuneration (Refer Note B.4 & B.15)						
- S.Khosla	2008-2009	—	—	4 58 04 231	—	4 58 04 231
- S.Khosla	2007-2008	—	—	2 32 50 326	—	2 32 50 326
- A.Chhabra	2007-2008	—	—	5 78 029	—	5 78 029
Loans						
Loans Given						
- Procter & Gamble Home Products Ltd.	2008-2009	—	1 74 93 78 493	—	—	1 74 93 78 493
- Others	2008-2009	—	—	—	—	—
- Procter & Gamble Home Products Ltd.	2007-2008	—	—	—	—	—
- Others	2007-2008	—	—	21 00 000	—	21 00 000
Loans Repaid						
- Procter & Gamble Home Products Ltd.	2008-2009	—	—	—	—	—
- Others	2008-2009	—	—	1 00 759	—	1 00 759
- Procter & Gamble Home Products Ltd.	2007-2008	—	1 58 20 00 000	—	—	1 58 20 00 000
- Others	2007-2008	—	—	2 19 240	—	2 19 240
Dividend Remitted/Paid	2008-2009	42 44 39 060	2 17 62 740	1 340	—	44 62 03 140
	2007-2008	42 44 39 060	2 17 62 740	1 340	15 500	44 62 18 640

(d) Outstandings :

(Amount in Rs.)

Payable						
- Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	12 73 74 344	—	—	12 73 74 344
- The P&G Company, USA	as on June 30, 2009	10 17 18 255	—	—	—	10 17 18 255
- Others	as on June 30, 2009	—	7 12 39 054	—	—	7 12 39 054
- Procter & Gamble Home Products Ltd.	as on June 30, 2008	—	15 95 23 064	—	—	15 95 23 064
- Gillette India Limited	as on June 30, 2008	—	5 92 11 535	—	—	5 92 11 535
- The P&G Company, USA	as on June 30, 2008	8 30 20 368	—	—	—	8 30 20 368
- Others	as on June 30, 2008	—	4 64 89 324	—	—	4 64 89 324
Receivables						
- Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	13 32 30 516	—	—	13 32 30 516
- Gillette India Limited	as on June 30, 2009	—	2 06 71 503	—	—	2 06 71 503
- Procter & Gamble International Operations Pte Ltd.	as on June 30, 2009	—	3 74 45 994	—	—	3 74 45 994
- Others	as on June 30, 2009	—	1 10 87 523	17 80 001	—	1 28 67 524
- Procter & Gamble Home Products Ltd.	as on June 30, 2008	—	21 87 05 233	—	—	21 87 05 233
- Gillette India Limited	as on June 30, 2008	—	9 59 34 903	—	—	9 59 34 903
- Others	as on June 30, 2008	29 01 336	1 15 96 163	18 80 760	—	1 63 78 259
Loans						
- Procter & Gamble Home Products Ltd.	as on June 30, 2009	—	1 74 93 78 493	—	—	1 74 93 78 493
- Procter & Gamble Home Products Ltd.	as on June 30, 2008	—	—	—	—	—

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 parent company i.e. The Procter and Gamble Company, USA. 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 Securities Exchange Commission of USA and are purchased on behalf of the employees at market price on the date of purchase. During the year ended June 30, 2009, 4 154.25 shares (Previous year 3 829.21 shares) were purchased by employees at weighted average fair value of Rs.2 845 (Previous Year Rs.2 719) per share.

The Company's contribution during the year on such purchase of shares amounting to Rs.32 01 481 (Previous year Rs.32 06 498) has been charged to the Profit and Loss Account.

(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 Parent 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 Securities Exchange Commission of USA. The options exercise price equal to the market price of the underlying shares on the date of the grant. Accordingly no stock compensation expenses have been incurred by the Company during the year. The grants issued are vested after 3 years and have a 10 years' life cycle.

Fair Value of shares at Grant date	**15-Sep-08**	**$72.14**
	27-Feb-09	**$48.17**
	14-Sep-07	$67.81
	29-Feb-08	$66.18

The other disclosures in respect of the plans for the year ended June 30, 2009 are:

		Shares arising out of option		**Amount in USD**		**Remaining Contractual life (years)**	
		2008-2009	2007-2008	**2008-2009**	2007-2008	**2008-2009**	2007-2008
Outstanding at the beginning of the period		**60 193**	48 303	**65.06**	61.19	**9.2**	9.2
Granted during the year ended June 30, 2009:							
	15-Sep-08	**3 424**		**72.14**		**10.0**	
	27-Feb-09	**17 474**		**48.17**		**10.0**	
	14-Sep-07		5 483		67.81		10.0
	29-Feb-08		13 147		66.18		10.0
Forfeited during the year		—	—	—	—	—	—
Transferred/Adjusted during the year		**39 749**	6 740	**65.06**	63.49	**9.2**	—
Exercised during the year		—	—	—	—	—	—
Expired during the year		—	—	—	—	—	—
Outstanding at the end of the year		**1 20 840**	60 193	**51.10**	65.06	**9.2**	9.2
Exercisable at the end of the year		**38 101**	—	**51.10**	—	**9.2**	—

15. In terms of rules applicable to the employees whose services have been seconded to Procter & Gamble subsidiaries abroad, Rs.33 01 008 (Previous year Rs.30 03 717) has been contributed to Provident Fund/Superannuation Trusts in respect of Mr. P. Agarwal (Director as at June 30, 2009).

Schedules forming part of the accounts

Also in terms of rules applicable to the employees retiring after the age of 50, Rs.9 755 (Previous year Rs.44 412) has been paid during the year as reimbursement of medical expenses to Mr.B.V.Patel, who was a Director of the Company till March 31, 2009.

As these payments have been made in the capacity of a seconded employee/retired employee and not related to their directorship, provisions of Sections 198, 309, 310 and 314 of the Companies Act, 1956 are not applicable. Legal opinion confirms this position. Thus the same has not been considered as managerial remuneration.

16. Earnings per share (EPS) :

	2008-2009 Rs.	2007-2008 Rs.
Calculation of Basic and diluted earnings per share		
Profit After Taxation	**1 78 84 78 534**	1 31 41 53 903
Weighted average number of equity shares outstanding for Basic / Diluted EPS	**3 24 60 736**	3 24 60 736
Nominal value of equity per share	**10**	10
Basic / Diluted Earnings per share	**55.10**	40.48

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 15 include Rs.3 13 90 800 (Previous year: Rs.Nil) for expenditure on Voluntary Retirement Scheme.

19. Subsequent to the year end, The Malabar Company - a Delaware Corporation, an Overseas Corporate Body (OCB) has merged with Rosemount LLC, Delaware, a P&G group Company with effect from August 20, 2009. As a result the overall shareholding of The Procter and Gamble Company, USA (the ultimate holding company) in the Company stands increased from 2 23 10 090 shares (68.73%) to 2 29 29 773 shares (70.64%).

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

Signatures to Schedules 1 to 17

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 27, 2009

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

D. Doss
Finance Manager

Mumbai, August 27, 2009

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956 for the year ended June 30, 2009

Balance Sheet Abstract and Company's General Business Profile :

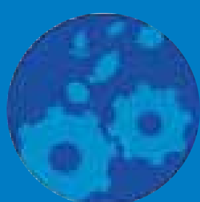
I.	**Registration Details**	
	Registration No.	11-12971
	State Code	011
	Balance Sheet Date	June 30, 2009
II.	**Capital Raised during the Year (Rs.)**	Nil
III.	**Position of Mobilisation and Deployment of Funds**	**Amount (In Rs. Thousands)**
	Total Liabilities	4 45 45 00
	Total Assets	4 45 45 00
	Sources of Funds :	
	Paid-up Capital	32 46 07
	Reserves & Surplus	4 07 58 06
	Secured Loans	Nil
	Unsecured Loans	Nil
	Application of Funds :	
	Net Fixed Assets	1 56 80 03
	Investments	Nil
	Net Current Assets	2 88 64 97
	Misc. Expenditure	Nil
	Accumulated Losses	Nil
IV.	**Performance of Company**	
	Turnover & other income	8 11 53 02
	Total Expenditure(including Exceptional items)	5 79 87 19
	Profit Before Tax	2 31 65 83
	Profit After Tax	1 78 84 79
	Earning Per Share (Rs.)	55.10
	Dividend Rate	225%
V.	**Generic Names of Two Principal Products/Service 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

Sustainability at P&G

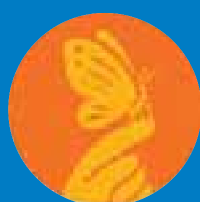
At P&G, we focus our sustainability efforts on improvements that matter, making the most meaningful impact possible. Our commitment begins with our Purpose, Values and Principles, where sustainability is embedded, manifesting itself in a systemic and long-term approach. From product innovations and operational improvements to social responsibility, employee engagement and stakeholder partnerships, we pursue our sustainability goals with the aim of improving quality of life, now and for generations to come.

To learn more, please visit www.pg.com/sustainability.

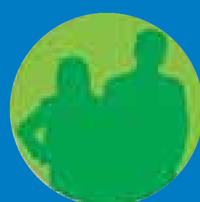
Strategy 1:
Products
Delight the consumer with sustainable innovations that improve the environmental profile of our products.



Strategy 2:
Operations
Improve the environmental profile of P&G's own operations.



Strategy 3:
Social Responsibility
Improve children's lives through P&G's social responsibility programs.



Strategy 4:
Employees
Engage and equip all P&Gers to build sustainability thinking and practices into their everyday work.

Strategy 5:
Stakeholders
Shape the future by working transparently with our stakeholders to enable continued freedom to innovate in a responsible way.

P&G

Procter & Gamble Hygiene and Health Care Limited

Registered Office:
P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (E), Mumbai 400 099.
Tel.: 91 22 2826 6000 • Fax: 91 22 6693 96 96