

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Economic Scenario and impact of Union Budget 2011

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

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

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

### The FMCG Sector and Indian consumers

India is one of the fastest growing markets in the world. According to some leading studies the total consumption in India is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. India ranks first in the Nielsen Global Consumer Confidence survey released in January 2011. As per leading studies more than 80 percent of FMCG categories are growing faster in rural India as compared to urban India. Not only are most categories growing faster in rural markets than in urban, rural India's contribution to growth in these categories is significantly high. Rural India,

mostly termed as "high opportunity" market, is no longer just an opportunity, but is now yielding results.

### Performance Overview & Outlook

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

### Healthcare Business

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

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

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

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

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

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

### Feminine Hygiene Business

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

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

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

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

### Risk Management

#### Business, Finance & Operational risks

The Company's risk management policy is in line with the parent Company's global guidelines on risk management and as such adequate measures have been adopted by the Company to combat the various risks including business risks

(competition, consumer preferences, technology changes), finance risks (cost, credit, liquidity, foreign exchange) and so on. The Company has adopted a focused approach towards risk management in form of a Corporate Insurance Program, which has the goal of optimizing the financing of insurable risks, by using a combination of risk retention and risk transfer techniques. This program duly covers any risks relating to business interruption resulting from property damage and legal liability resulting from property damage or personal injury.

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

#### Regulatory and Compliance risks

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

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

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

#### Security Risks

Your Company has installed comprehensive security programs to protect employees and assets at all its Offices and Plants. Security measures are overseen by a specially designated Global Security Manager – South Asia and a reputed security agency has been appointed to guard our

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

### Internal Controls & their adequacy

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

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

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

### HR Initiatives

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

Attracting Talent: Recruiting continues to be a key focus – Your Company has a well established campus recruitment process that currently visits some of the top business schools

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

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

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

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

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

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE PHILOSOPHY

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

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

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

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

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

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

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

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

### BOARD OF DIRECTORS

#### (a) Composition of the Board

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

#### (b) Number of Board meetings

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

#### (c) Directors' attendance record and Directorships held

The attendance record of all Directors is as under:

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

† Alternate Director to Ms. Henretta.

## Procter & Gamble Hygiene and Health Care Limited

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

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

NED – Non Executive Director

ED – Executive Director

ID – Independent Director

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

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

### (d) Material significant related party transaction

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

limit to the Non Executive Independent Directors for 5 years w.e.f. July 1, 2006. It is now therefore necessary to seek a fresh approval from the Members at the ensuing 47th Annual General Meeting for payment of commission upto 1% of the net profits of the Company per annum in the aggregate for a period of Five Years w.e.f. July 1, 2011 or such date as the Board of Directors may approve.

### (e) Remuneration of Directors

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

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

The Members of the Company had at their 42nd Annual General Meeting held on October 6, 2006 passed a Special Resolution according approval for payment of Commission upto 1% of the net profits of the Company per annum in the aggregate for a period of Five Years w.e.f. January 1, 2006 or such date as the Board may approve, to the Non Executive Independent Directors. The Board of Directors (and a committee constituted thereof) had subsequently accorded approval for payment of Annual Commission within the prescribed

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

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

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

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

# Includes the following:

- Performance incentive (Short term achievement reward) of ₹ 65,64,655;
- Stock Options of ₹ 1,55,37,854 cross charged to Procter & Gamble International/Operations SA Singapore Branch.

NOTE – No sitting fees are payable to any Director.

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

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

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

### STOCK OPTIONS

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

### (f) Committees of the Board Audit Committee

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

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

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

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

The Audit Committee powers include the following:

- (a) to investigate any activity within its terms of reference.
- (b) to seek information from any employee.

- (c) to obtain outside legal or other professional advice.
- (d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee role includes the following:

- (a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with management the Annual Financial Statement/s before submission to the Board, focusing primarily on:
  - Matters required being included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in Draft Audit Report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and Legal requirements concerning Financial Statements.
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
- (d) Reviewing with the management, the Quarterly Financial Statements before submission to the Board for approval.
- (e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- (g) Discussion with internal auditors of any significant findings and follow up thereon.
- (h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (i) Discussion with external auditors before the audit commences about nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- (j) Reviewing the Company's financial and management policies.
- (k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, Members (in case of non-payment of declared dividends) and creditors.
- (l) Reviewing the functioning of the Whistle Blower mechanism.
- (m) Carrying out any other function as required in the terms of reference of the Audit Committee in the Listing Agreement as may be amended from time to time.

The minutes of the Committee are placed before the Board.

**Shareholders'/Investors' Grievance Committee**

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

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

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

During the Financial Year, the Company received 117 shareholder complaints. These complaints have been resolved to the satisfaction of the shareholders except for disputed cases and sub-judice matters, which would be resolved on

final disposal by Courts. There were no pending transfers as on June 30, 2011. The pending share transfers have since been acted upon by the Registrar and Share Transfer Agents.

## SHAREHOLDERS

### (a) Disclosures regarding re-appointment of a Director

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

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

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

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

### (b) Communication to shareholders

- (i) The Company does not send its Quarterly or Half-Yearly report to its Members.
- (ii) The Quarterly Results of the Company are announced within 45 days of completion of the Quarter, as prescribed under the Listing Agreement. Audited Annual Results are announced within 60 days of the end of Financial Year which are published in The Economic Times and Mumbai Lakshadeep.

- (iii) The Company's results and official news releases are published on Company's website: <http://www.pg-india.com>. It contains data on various topics related to transfers, transmission of shares, Dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc. Also, a special facility has also been provided for Members to send in their suggestions/grievances, which are immediately responded to.
- (iv) No presentations were made to Analysts and Institutional Investors.
- (v) Annual Report and Quarterly Results of the Company are also posted on the Corpfilng site viz. [www.corpfilng.co.in](http://www.corpfilng.co.in)
- (vi) Your Company has taken requisite steps to ensure compliance with the Circular No. 17/2011 dated April 24, 2011 and Circular No. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs, propagating the 'Green Initiative'. This initiative involves paperless compliances by serving documents on the Members through the electronic mails (e-mails). Specific details of the steps taken by the Company in this regard are given in the notes to the Notice convening the 47th Annual General Meeting of the Company.
- (vii) The recorded version of the proceedings of the 47th Annual General Meeting would be webcast at the Company's website <http://www.pg-india.com>.

### (c) Statutory Compliance

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

### (d) Annual General Meetings:

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

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



**Postal Ballot**

No postal ballot was undertaken during the Financial Year.

**(e) Whistle Blower Policy**

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

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

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

The ‘Alertline’ was accessible to all employees.

**(f) CEO/CFO Certification**

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

**(g) Adoption of non-mandatory requirements**

- (a) Adoption of non-mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.
- (b) There is no fixed tenure for Independent Directors. The Board of Directors ensures that the person being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company.
- (c) There are no audit qualifications in the Company’s financial statements for the Financial Year under reference.
- (d) No specific training program was arranged for the Board Members. However, at the Board Meetings, detailed presentations are made by senior

managerial personnel on the business related matters.

- (e) The Company has not adopted any mechanism for evaluating individual performance of Non-Executive Directors.
- (f) Of the non-mandatory requirements, currently the Company has the Whistle Blower Policy, as described above.

**(h) Code of Conduct**

**(i) Code of Conduct for Directors**

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

**(ii) Code of Conduct for prevention of Insider Trading**

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

**GENERAL SHAREHOLDER INFORMATION**

**I. Annual General Meeting**

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

**II. Financial Calendar:**

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

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

The said book closure is for payment of dividend.

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

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

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

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

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

**VII. Stock Code**

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

**VIII. Stock Price Data**

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

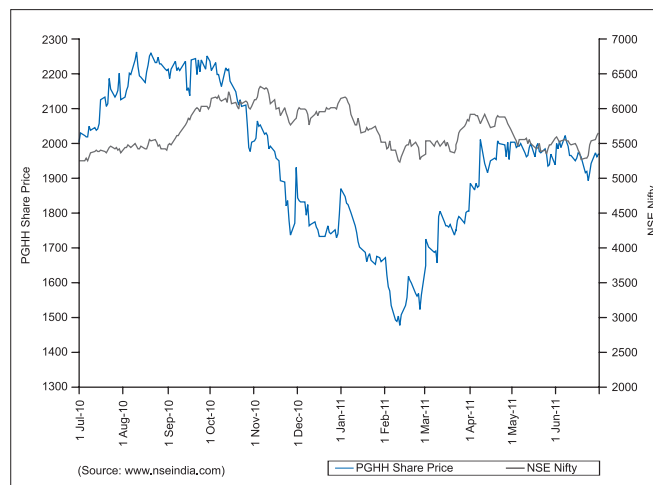
(Source: www.bseindia.com & www.nseindia.com)

**IX. Stock Performance**

**PGHH Share price vs BSE Index**



**PGHH Share price vs NSE NIFTY**



**X. Registrar & Transfer Agents**

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

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

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

[pginvestors@linkintime.co.in](mailto:pginvestors@linkintime.co.in)

**XI. Share Transfer System**

All shares sent for transfer in the Physical form are registered by the Registrar and Share Transfer Agent within 30 days of receipt of the documents, if found in order. Shares under objection are returned within

two weeks. All requests for Dematerialization of Shares are processed and the confirmation is given to the respective Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), within 15 days.

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

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

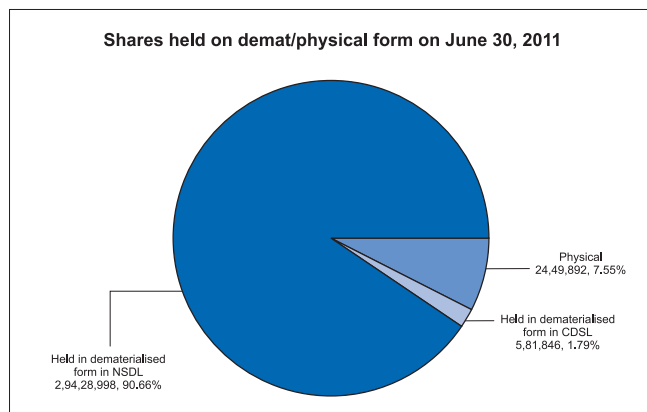
**Distribution of Shareholding by Ownership as on June 30, 2011**

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

**XIII. Dematerialization of shares and liquidity**

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

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



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

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

**XVI. Unclaimed/Unpaid Dividends**

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

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

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

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

#### **XVII. Plant Locations**

##### **Goa Plants:**

- (1) 173, 314, 315, Kundaim Industrial Estate, Kundaim, Goa 403 115.
- (2) Plot 2, GDDIDC Honda, Bhuipal, Sattari, Goa 403 506.

##### **Baddi Plants:**

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

#### **XVIII. Address for Correspondence:**

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

#### **XIX. Compliance Officer:**

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

**Declaration**

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

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

Mumbai,  
August 25, 2011

**S. Khosla**  
*Managing Director*

---

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

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

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

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

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

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Mumbai,  
August 25, 2011.

**K. A. Katki**  
*Partner*  
Membership No. 038568