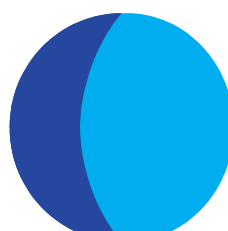


Responsible Growth, Sustainable Growth

Mr. Bharat V. Patel
Chairman
Procter & Gamble Hygiene and Health Care Limited

10th October 2008



Good afternoon Ladies and Gentlemen and a warm welcome to the 44th AGM of your Company.

It is a pleasure to stand before you and share with you the continued success story of your Company.

Since the start of this millennium, your Company has written a story that has GROWTH written in bold all over. Sales of its core Healthcare and Feminine hygiene categories grew from Rs. 305.7 crores at the turn of the century to Rs. 652.6 crores in 2007/08. PBT and PAT grew from Rs. 87.6 crores and Rs. 75 crores in the year 2000 to Rs.180.6 crores and Rs. 131.4 crores respectively by the end of the fiscal year just gone by.

In this growth story, 2007/08 has been a particularly stellar chapter, when your Company touched new milestones and newer heights. VICKS Vaporub touched the 25% share mark for the first time and VICKS Cough Drops recorded its highest ever sales in a single year, registering a strong growth of 27% over last year. WHISPER grew its market share for the fifth consecutive year and reached the golden 50% share mark.

But it is not the growth we achieved this year, or the years before that, that I wish to talk about today. Today, I want to share with you my thoughts about the future of our growth. Here, I would like to echo the thoughts of Mr. A.G. Lafley, CEO of our parent company The Procter & Gamble Company, USA who in a speech to shareholders said *“P&G is a company designed for long-term sustainable growth. We’ve designed P&G’s business to grow consistently and reliably. We have designed the core strengths we need to win in our industry. We have designed strategic, operational and financial processes that ensure discipline to deliver. We have designed a management team and organization to lead. P&G is designed to grow.”*

I believe that this statement captures a fundamental truth also about the nature of your Company. It is a Company that is designed to grow – i.e. future growth is engineered into the fabric of the Company. Your Company is designed to grow *now* and for *years to come*.

How do you “design” a company to grow? How do you ensure that generations to come will benefit from an environment ready to nurture growth? I believe that the answer lies in a simple philosophy, a philosophy that has been made familiar to you all in the past: *Touching Lives, Improving Life*. This philosophy, that has anchored a global giant like the Procter & Gamble worldwide to a bedrock of success for over 170 years, is grounded in the belief that growth is long term only when it is *responsible* and *sustainable*.

Responsible growth is growth that puts the consumer at the center and commits to the fact that the best interests of the consumer are the Company’s best interests. This means that not only do we provide superior quality products and services to those who need them but also do this in a manner that is sustainable, inclusive and locally relevant.

VICKS and WHISPER, by their very nature, are products that tangibly improve the lives of people. VICKS has long been the vanguard of the nation’s health when it comes to relieving miseries of cough and cold. WHISPER has helped millions of women across the country live life the way they want to every month. This year we have had a lot of marketing initiatives which have been very successful in further building the equity of the WHISPER brand as well as business.



However, there are some initiatives that I believe will distinguish your Company in the years to come and allow it to grow sustainably, and in a manner that is responsible.

WHISPER took a leap forward in this regard and began a new chapter in its engagement with Indian consumers last fiscal. In a first of sorts, your Company has now

partnered, on a pilot basis, with the National Rural Health Mission (NRHM), Rajasthan, to empower poor women in Rajasthan with a better option for menstrual



protection, and thereby a healthier, more productive future.

Large sections of the rural populace in Rajasthan are completely unaware of options that exist today. As a result, she continues to resort to traditional practices for menstrual protection that tend to be unhygienic and cause discomfort and disease. In a document titled '*Concept Note: Social Marketing of Sanitary Napkins*', NRHM, Rajasthan observed that the state of menstrual hygiene practices were far from desirable. The document highlighted that awareness regarding issues related to menstruation was very low and the little information that was being passed from mother to daughter was more on the lines of restrictions and prohibitions rather than real education. It commented that "The main cause of Reproductive Tract Infection (RTI) and menstruation related problems are unhygienic practices during menses, unclean habits and lack of knowledge about reproductive health and hygiene. The prevalence of RTIs was more than three times higher among girls having unsafe menstrual practices." It also pointed out the RTIs can be responsible for not only ill-health and low productivity of women but in some severe cases also for infertility and maternal mortality.

Your Company stepped forward to partner NRHM in an endeavour to create a better option, and thereby a better future for the women in Rajasthan. As part of this partnership, your Company will share with the government its global expertise in Public Private Partnerships, its excellence in creative executions, and a world class feminine protection products at excellent value. NRHM and your Company will work together to address the barriers of awareness, accessibility and affordability and strive to tangibly improve the lives of women in Rajasthan.

Even as we started this path breaking program, we continued to strengthen our "over-a-decade-old engagement program" with adolescent girls and mothers

to raise awareness and bust myths - a key barrier to adoption of hygienic menstruation protection products and methods. I believe this program i.e. the WHISPER School Program is a perfect example of responsible, sustainable growth that I talk of. Consider this: In India, there are 266 million menstruating women. Of this only 3% use branded sanitary napkins regularly. Contrast this with comparative figures of 60% in Thailand, 55% in China and 32% in Philippines. All these are also developing countries like India. The contrast with developed countries like the US (85%), UK (89%), Germany (95%), Australia & Singapore (88%) is even higher.

In this context, I believe the work done by the WHISPER School program has important implications on the choices that a whole generation will make. By talking to adolescents we ensure that we sustainably secure the future of your Company as well of a generation of women. It is therefore a matter of great satisfaction that in fiscal 2007/08 we were able to touch a record 1.6 million lives with WHISPER School program. Since its inception, a decade and half back, the WHISPER School program has reached out to ~ 6 million adolescent girls. Post-studies have shown that while two thirds of the school girls were using cloth before participating in the program, only 6% continued to do so after the program.

Admittedly, there is a long way to go. I am sure that we will continue to focus on building the fundamentals and continue to add strength to this program in coming years.

Another program that I take great pride in is what we do to help educate underprivileged children in India.



Despite excellent progress the country has made in the areas of GDP growth, technology, acquisition of global companies by India Inc, India remains home to the largest number of uneducated children in the world. 200 million children in the age group of 6-14 do not go to school. Of the remaining, another 100 million drop out in classes 3-5 (primary school). 47% of India's habitation does not have a primary school and 80% does not have a secondary school.

It is an oft repeated cliché, but it is a truth we cannot escape: *children are our future*. For a country, that prides itself on being the youngest nation in the world with half its population projected to be below the age of 25 by 2050, it is imperative that we ensure that the children of this country have access to education. The Government of India has made great strides via the Sarva Shiksha Abhiyan and the mid-day Meal scheme in this area and has committed substantial resources to the cause of education. However, I believe, it is also the responsibility of companies like P&G to make a contribution to this important cause. With this in mind, your Company had taken the first steps to mobilize support from consumers across the country under the aegis of Project Shiksha. It is a matter of great pride for us that in 5 years, this humble effort has grown leaps and bounds and today impacts the lives of more than 87,000 children. In 2007/08, your Company contributed a sum of Rs. 3.2 crores to this program taking the total contribution since inception to ~ Rs. 7 crores. Again, given the magnitude of the issue, this is only a drop in the ocean but as Late Mother



Teresa has said "We may feel what we are doing is a drop in the ocean. But if the drop was not there, the ocean will be less because of the missing drop." I am confident that in the coming

years, we will only be making the drop bigger.

These programs are clearly over and above our fundamental promise of providing superior performing products that delight consumers. Both VICKS and WHISPER continued to remain true to this promise and via numerous interventions like value correction (WHISPER Choice), product upgrade (WHISPER Maxi), packaging innovation (VICKS Chotu) and insightful communication (VICKS Blanket of Warmth) continued to provide benefits beyond the expectations of the consumers – an important criteria for brands that wish to be successful not just this year or this decade, but century on century.

Responsible growth, Sustainable growth, is not an activity – it is a mindset that needs to be ingrained in the DNA of a company. I feel reassured that your Company today is a Company that will continue to grow year after year, sustainably and responsibly. We will provide branded products of superior quality and value that improve the lives of the world's consumers now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper.

I look forward to your continued support.

Thank you,

Bharat V. Patel

Bharat V. Patel

October 10, 2008

