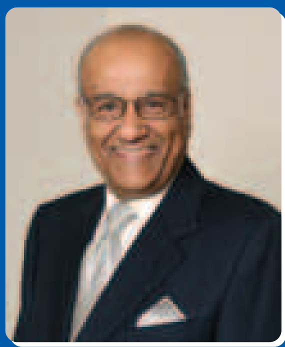
P&G

Gillette India Limited

Annual Report 2007-2008


DURACELL
Mini Charger
Gillette
Presto
MACH3 Turbo
7 O'CLOCK
VECTOR PLUS
Satin Care
Foam
SERIES



Dear Shareholders,

It gives me great pleasure to share with you your Company's performance for the year 2007/08. Once again, we continued to grow across all our businesses – Blades & Razors, Oral care and Portable Power.

Your Company has always been known for the strength of its brands. *Mach3*, *Vector Plus, Oral-B* and *Duracell* are instantly recognizable global brands that Indian consumers trust and believe in for superior quality and value. Your Company has consistently made all efforts to ensure that this trust is upheld through a myriad of business challenges. In a year that was marked by inflationary pressures fed by rising cost of crude oil and other materials, it was even more important for consumers to believe that the products that they were buying, genuinely offered superior value.

As a result, your Company continued to register strong growth during the year ended June 30, 2008. The total sales (net of excise) at Rs.589 crores were up by 16% when compared to the sales of Rs.506 crores of last twelve months period ended June 30, 2007. Profit before tax (PBT) at Rs.168 crores were up by 20% when compared to PBT of Rs.140 crores of last corresponding period. When adjusted for exceptional items, Profit after tax (PAT) at Rs.107 crores grew 16% against PAT of Rs.92 crores of the previous corresponding period.

Our flagship business - Blades & Razor – grew by 15% on the back of impactful consumer initiatives by *Mach3* and *Vector Plus*. One of these initiatives was the launch of the iconic *Gillette Winners* platform in India of football sensation Thierry Henry, 13 times tennis grand slam winner Roger Federer, No. 1 golf player in the world Tiger Woods and our own Rahul Dravid. This elite platform became the driving force behind multi touchpoint marketing activities through the year covering a gamut of media including television, print, internet and radio.

Vector Plus continued to penetrate deeper into the hearts of Indian consumers and converted millions of the traditional double edge users to the superior systems by offering a revolutionary price point that will now allow men across India to have a tension free shave for 3 weeks at just Rs.10.

I believe that the future of our business lies in capturing the hearts and minds of adolescent boys on the verge of adulthood. *Vector Plus* is now reaching out to this population through a unique and innovative platform called *The Winning Edge*. This platform provides a common space for adolescents to learn how to groom themselves in anticipation of their lives ahead. A perfect platform to introduce them to the essential grooming equipment – Gillette: *THE BEST A MAN CAN GET*.

After a sterling performance last year, the Oral care business of your company continued to trail blaze its way up the growth ladder. *Oral-B* registered a strong growth of 27% further consolidating its position as the country's no. 2 toothbrush brand. *Oral-B* also strengthened its presence in the category via new product launches at compelling price points (Shiny Clean, Gum Protect) and ramped up distribution (present in over 10 lakh outlets).

Your Company continues to benefit from synergies resulting from its operational integration with P&G. Our Oral care brand, for example, grew its distribution by 67% between pre and post- operational integration and became the only Gillette brand to cross 1 million stores. *Vector Plus* razors too benefitted from the distribution strength of P&G and reached 64% more outlets compared to pre-operational integration. I am confident that your Company will continue to benefit from P&G's scale, its organizational and operational excellence.

Despite macroeconomic challenges like rising cost of crude oil and other input materials, the projected GDP growth rate of 8.7% remained in line with the targeted average annual growth rate envisioned in the 11th Five Year Plan. Macroeconomic fundamentals continue to inspire confidence and investment climate remains optimistic. The growth rate of per capita income in 2007-08 at 7.2% was an encouraging sign of consistency as it matches the average of five years to the current year. Of more relevance to your Company, the per capita private final consumption expenditure increased in line with per capita income. In fact, at 5.3% the growth rate is marginally higher than the 5 Year average. The shock failure and trouble at some of the largest firms in the U.S. coupled with the U.S. housing bubble have negatively impacted global liquidity and confidence in the financial markets all over. It has had an impact on liquidity in India but fortunately for us our banks and institutions appear safe. This would assist India in continuing to be one of the fastest growing economies in the world.

This environment bodes well for your Company as it assures us of a buoyant consumer market. I am confident that as we invest behind consumer propositions that delight, we will continue to reap the rewards of such a market.

I would like to thank all our employees and valued shareholders for their trust and support in the Company.

Mumbai
September 18, 2008

S. K. Poddar
Chairman

BOARD OF DIRECTORS

Mr. S. K. Poddar
Chairman

Mr. S. Khosla
Managing Director

Mr. S. Bansal
Whole-time Director

Mr. B. S. Mehta

Mr. C. R. Dua

Mr. G. C. Das

Mr. J. Sagar

Mr. A. Poddar
(Alternate Mr. M. K. Kumar)

Ms. D. A. Henretta
(Alternate Mr. Ashok Chhabra)

Mr. D. Acharya
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors have pleasure in presenting their Twenty-fourth Annual Report together with the Audited Accounts for the financial year ended June 30, 2008.

FINANCIAL RESULTS

Your Directors draw the attention of the members to the financial results of the previous financial period, which was for eighteen months from January 1, 2006 to June 30, 2007. However, in order to better evaluate the financial performance of your Company, and help proper comparison, Directors have also presented the unaudited financial results for the twelve month period ended June 30, 2007.

(Figures in Rs. crores)

	2007-08	2006-07 (Unaudited results for comparison purpose only)	For the Extended Financial Period ended June 30, 2007
Sales (less excise duty)	**588.84**	505.61	683.04
Other Income	**19.13**	18.40	33.46
Profit before tax & exceptional items	**167.74**	140.19	173.51
Exceptional Items	**14.45**	80.59	42.46
Profit before Tax	**182.19**	220.78	215.97
Provision for Tax	**(64.82)**	(70.52)	(73.61)
Profit after Tax	**117.37**	150.26	142.36
Profit brought forward from previous year	**125.04**		62.93
Balance available for appropriation, which the Directors have appropriated as under:	**242.41**		205.29
a. Transfer to Contingency Reserve	**6.00**		—
b. General Reserve	**11.75**		14.50
c. Interim Dividend paid and tax thereon	**—**		37.16
d. Proposed dividend	**40.73**		24.44
e. Tax on proposed dividend	**6.92**		4.15
Balance carried to Balance-Sheet	**177.01**		125.04

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the members, a dividend @ 125% (Rs.12.50 per equity share of Rs.10 each) amounting to Rs.40.73 crores, for the financial year ended June 30, 2008.

OPERATIONS

Your Company continued to register strong growth during the year ended June 30, 2008. The total sales (net of excise) at Rs.589 crores was up by 16% when compared to Rs.506 crores for the corresponding twelve month period ended June 30, 2007.

Profit before Tax and Exceptional Items at Rs.168 crores is up by 20% when compared to Profit before Tax and Exceptional Items of Rs.140 crores for the corresponding period ended June 30, 2007.

Profit after Tax (PAT) for the year under review is at Rs.117 crores. PAT for this year includes exceptional item of Rs.14 crores towards the sale of Company's immovable property at Mysore. This PAT is not comparable with the PAT of Rs.150 crores of the previous corresponding period, which includes exceptional item of Rs.38 crores on account of financial restructuring and reconstruction and Rs.42 crores on account of aforesaid sale of immovable property. When adjusted for these exceptional items, the PAT for the year at Rs.107 crores is up by 16% against Rs.92 crores for the previous corresponding period.

PERSONAL GROOMING

Millions of men continued to get *"The Best A Man Can Get"* and in the process drove the Blades & Razor business to a strong double digit growth of 15%. In tune with Gillette's legacy, its flagship brands – *Gillette Mach3* and *Gillette Vector Plus* – delivered marketing programs rooted in the simple principles of consumer delight and holistic marketing.

During the year under review, your Company launched the *Gillette Winners* program that had sport legends Roger Federer, Thierry Henry and Tiger Woods at the forefront. Keeping in mind the Indian consumer, the then Indian Cricket Captain, Rahul Dravid was made a part of this global platform. This platform was then used to drive a new campaign themed around the Winner's mantra of *"Be Your Best Today"*. An impactful combination of advertising, PR, mall activation, radio, interactive marketing and in-store display was put together to engage the consumer with the Gillette philosophy.

The program was sustained over the period of a year via unique and interesting interventions like *"Challenge the Winners"* and *"Gillette Mach3 Comfort Challenge"*. While the former rewarded consumers who won an online gaming contest (featuring the sport of choice of the Gillette icons) by arranging for them to fly to Australia and meet Rahul Dravid, the latter invited consumers to try the *Gillette Mach3* experience and share their feedback. The Comfort Challenge, first thrown by Rahul Dravid to Mahesh Bhupathi, tennis player and Rahul Bose, actor was taken by thousands of men, 99% of whom declared that the *Gillette Mach3* shave was indeed the most comfortable shave they ever had.

Your Company understands that before men can upgrade to a superior system of comfortable shaving with *Gillette Mach3*, they need to first convert from the traditional double edge blades to an entry level system. *Vector Plus* has been the key intervention to effect this change, as it is designed to suit the needs of Indian masses. The tension free shave offered by *Vector Plus* has grown the business year on year. Your Company further improved the *Vector Plus* proposition by re-pricing it to an extent where consumers could enjoy 3 weeks of tension free shave at only Rs.10/-. To celebrate this revolutionary offer, *Vector Plus* launched a 10 city Ten10 Gully Cricket Tournament. To make sure *Vector Plus* delighted consumers as much on style as on value, it introduced a trendy, all-red razor that appeal to young men who love a racy lifestyle. These efforts helped spur consumer demand, doubled the brand's penetration and further accelerated growth.

With an eye to build future business, *Vector Plus* invested in setting up a Grooming platform, *The Winning Edge,* to help youngsters "*Speak Good, Talk Good and Look Good*". The program works with trained counselors offering counsel and valuable tips to young men to get the winning edge with *Vector Plus*.

During the year under review, Personal Care business also recorded over 20% growth driven by increased preference for shaving gel over cream.

ORAL CARE

Oral care business continued to trail blaze its way up and recorded an astounding 27% growth thereby further consolidating its position as the number 2 brand of the toothbrush market. The growth was fuelled by fundamentals and a focus on consumer needs. An innovative program that drove business was the *"Free Dental Check Up"* campaign where consumers could benefit from the expertise of professional dentists at no cost.

Further, *Oral-B* launched a new variant *Shiny Clean* priced at Rs.13 targeted at the value segment. With this new price point the average Indian consumer now has access to *Oral-B*'s world class rounded bristle technology. Also, with *Shiny Clean, Oral-B* has expanded its reach to over 10 lakh stores around the country making it deeply penetrated and easily accessible. Another variant, *Oral-B* Gum Protect, was introduced to cater to consumers who needed soft brushes but at an affordable price. Again, this helped us meet an unmet consumer need and delight her. With the sustained advertising and innovating marketing programs, India also became the fastest growing business for *Oral- B* worldwide

PORTABLE POWER

Portable Power continued to grow sustainably with a robust 10% growth over last year. Much of this growth came on the back of a holistic marketing campaign and a growing consumer realization of the benefits of long lasting alkaline batteries like *Duracell*. Your Directors believe that purchase of *Duracell* brand battery is a great value proposition for consumers as it lasts upto 10 times longer at approximately three times the price of an ordinary zinc carbon battery. Your Company sees a very good business opportunity to upgrade consumers from ordinary zinc batteries to *Duracell* alkaline batteries.

MANUFACTURING

The Directors have pleasure to inform you that during the year under review, Bhiwadi plant has embarked on new initiative called Integrated Work Systems (IWS) which builds capability and will further enhance the plant's operational efficiency. Bhiwadi plant also achieved the distinction of having perfect safety record by ensuring zero accident, which is a measure of high morale and is a result of focus and sustained efforts by all employees. Your Directors take pleasure in informing you that your Company has achieved highest ever production in its history, which is 36% higher than last year.

Last year, we informed you that your Company successfully established the new manufacturing facility at tax free zone of Baddi, Himachal Pradesh. Your Directors take immense pleasure in informing that this new facility has not only been fully operationalized but also been able to achieve all key metrics in the very first year of operation.

SHIKSHA: PADHEGA INDIA, BADHEGA INDIA

According to our partner CRY, over 200 million children in India are denied access to education. Close to 47% of India's habitation does not have a primary school. When it comes to children's education – there is no dearth of rather disappointing statistics. Program *Shiksha* – is your Company's attempt to help address these issues and work towards its vision of seeing every child in school. Singing the motto 'Padhega India, Badhega India' *Shiksha* truly believes that the secret to a brighter future of this country lies in the quality education of our children.

Over the last four years, *Shiksha* has been able to lead 87,000 children on the path of education with your Company and all the P&G group companies donating more than Rs.8 crores thereby reaching out to over 300 communities. This year's contribution of over Rs.3 crores has been the single largest contribution from your Company and P&G group companies in any year. This year was also memorable for unique executions like the *Shiksha* Time Capsule. A school bag full of items from present day education system was buried deep inside the earth to be opened 100 years later as a reminder of our times. Actress Esha Deol attended the ceremony and members of the media gave it wide coverage.

Each year *Shiksha* wins the hearts of not just the tiny lives it touches – but also of everyone that chooses to participate in it. Over the years we have had over 23 top celebrities from across the country volunteering their time to help generate awareness of the cause. Our biggest victory however remains the millions of consumers that believe in *Shiksha* and step

Shantanu Khosla, MD, along with film actresses Soha Ali Khan & Konkana Sen Sharma at the closure of Shiksha 2008.

forward to buy our brands in order to help lead children to education in their own little way. It may be just another drop in the ocean but it is one step closer to a brighter India.

CORPORATE GOVERNANCE

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

SCHEME OF ARRANGEMENT

During the year under review, the business restructuring exercise undertaken by your Company, pursuant to the Scheme of Arrangement under Section 391 of the Companies Act, 1956, duly sanctioned by the Hon'ble High Court of Rajasthan at Jaipur on August 22, 2006, was successfully concluded. Of the total reserves of Rs.85 crores, an amount of Rs.15.87 crores has now been transferred to the Amalgamation Reserve, forming part of the Capital Reserve.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956("the Act"), 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, 2008, 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, 2008, on a "going concern" basis.

DIRECTORS

Mr. C.R. Dua and Mr. Akshay Poddar retire by rotation at the ensuing annual general meeting, and being eligible, offer themselves for re-appointment.

Mr. Jyoti Sagar was appointed as an Additional Director on the Board of Directors of the Company with effect from August 29, 2008. As an Additional Director, he holds office upto the date of the ensuing annual general meeting. A notice has been received from a member proposing his candidature as Director of the Company, liable to retire by rotation.

Appropriate resolutions for the appointment/ re-appointment of the aforesaid directors are being moved at the ensuing annual general meeting, which the Board recommends for your approval.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, retire at the ensuing annual general meeting and offer themselves for re-appointment.

COST AUDITORS

The Company has re-appointed M/s. R. J. Goel & Company as the Cost Auditors for "Shaving Systems" manufactured at Bhiwadi plant for the year ending June 30, 2009, subject to the approval of the Central Government.

CONSERVATION OF ENERGY & FOREIGN EXCHANGE

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

HUMAN RESOURCE DEVELOPMENT

Your Company has continued to focus on building employee capability and commitment, critical for sustaining business growth and profitability. Competence enhancement initiatives to lead and manage change, develop team and to coach individuals have led to higher levels of employee productivity. The culture of innovation has been strengthened by building innovation skills and processes to facilitate developments and successful implementation of new ideas.

Proactive communication programs, employees' engagement activities and high quality HR service support has resulted in a high level of employee morale and commitment to your Company.

Your Directors wish to place on record their appreciation for the strong contribution made by employees who have through consistent and highly motivated performance enabled your Company to achieve these results.

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

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the services rendered by its suppliers, distributors, wholesalers, retailers, clearing and forwarding agents and all other business associates and acknowledge their efficiency and continued support in producing such healthy growth in the Company's business.

For and on behalf of the Board

S.K. Poddar
Chairman

Mumbai
August 29, 2008

ANNEXURE TO THE DIRECTORS' REPORT

Particular required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The Company has an efficient energy conservation task force, which is actively involved in continuous monitoring of energy usage and its conservation.

1. Measures taken this year were-

   (a) As suggested by CII energy audit, conservation projects are in progress;

   (b) Optimizing the power consumption in Air Handling Units (AHUs) by installing AC variable drives which was started last year has been replicated to all the units in the plant;

   (c) Optimal utilization of chillers by effective modulation thereby reducing energy consumption;

   (d) Project of optimizing plant lighting to save energy is in progress;

   (e) Replaced conventional Lead Acid batteries on all Diesel Generating sets at Bhiwadi plant with energy efficient batteries;

   (f) Installed AC variable drive at sharpening exhaust to run at optimal frequency to save energy.

2. Additional investments / proposals –

   (a) Exploring alternate source of power

   (b) Improving power factor in the identified MCC's and reduce I^2R (energy) losses.

   (c) Reduce compressed air leakages to optimize compressors usage.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B.

Not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Efforts and initiatives in relation to exports.

   The Company's products continue to be accepted in overseas markets. Efforts are on to further increase exports of personal grooming products to other countries.

2. The particulars of foreign exchange earned/ utilized during the year are given in Schedule 17.B.11(j) and (h) to the Accounts, respectively.

For and on behalf of the Board

S.K. Poddar
Chairman

Mumbai
August 29, 2008

CORPORATE GOVERNANCE REPORT

1. 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 Board of Directors to help ensure that all stakeholders are protected against managers acting solely in their own best interest. 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 throughout the Company—at all levels, both internally and externally. Our actions and the actions of all our employees are governed by our Purpose, Values, and Principles. 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 and diverse Board of Directors, with members who understand their role in providing strong corporate governance. Our Audit Committee comprises 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 statutes affecting your Company. Our rigorous business process controls include an ongoing program of self-assessment of the controls as well as internal and external audits. Your Company has adopted a Code of Conduct for directors and senior management. 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.

Your Company's reputation is earned by its conduct: *what we say, what we do, the products we make, the services we provide, and the way we act and treat others.* As a conscientious corporate citizen, we want to do what is right. For your Company and P&G's global operations, this is the only way to do business.

2. BOARD OF DIRECTORS

(a) Composition of the Board:

The Board of Directors of the Company comprises an optimum combination of executive and non-executive directors headed by a Non-Executive Chairman. The independent directors do not have any material pecuniary relationships or transactions either with the Company or with the promoters/management that may affect their judgment in any manner. The directors are experienced and eminent professionals in business, law, finance, public enterprise and corporate management. The Board meets at least once in a quarter to review, amongst other business, the quarterly performance of the Company and financial results. Directors actively participate in the deliberations at these meetings.

Name of the Director	Category	Designation	Other Directorships#		Membership of other Board Committees ##	
			Member	Chairman	Member	Chairman
Mr. S.K. Poddar	NED	Chairman	11	7	5	3
Mr. Shantanu Khosla	ED	Managing Director	2	1	2	1
Mr. Subhash Bansal	ED	Whole-time Director	None	None	None	None
Mr. B.S. Mehta	ID		14	None	9	5
Mr. C.R.Dua	ID		6	None	2	None
Mr. Gurcharan Das	ID		5	None	None	None
Mr. Akshay Poddar	NED		6	None	4	1
Ms. Deborah Henretta	NED		1	None	None	None
Mr. M.K. Kumar	NED	Alternate to Mr. Akshay Poddar	1	None	2	1
Mr. Ashok Chhabra	NED	Alternate to Ms. Deborah Henretta	None	None	None	None
Mr. Jyoti Sagar*	ID		None	None	None	None

* Appointed as Additional Independent Director with effect from August 29, 2008.
NED – Non Executive Director
ED – Executive Director
ID – Independent Director

Excludes directorships of private limited companies, foreign companies and alternate directorships and companies under Section 25 of the Companies Act, 1956.
Includes memberships of only Audit Committees and Share Transfer and Investor Grievance Committees of public limited companies.

(b) Number of Board Meetings:

During the financial year 2007-08, four (4) Board meetings were held on August 24, 2007, October 25, 2007, January 30, 2008 and April 30, 2008 respectively. The annual general meeting for financial period of eighteen months ended June 30, 2007 was held on October 25, 2007.

(c) Directors' attendance record:

The attendance of directors at the board meetings and at the last annual general meeting held on October 25, 2007 was as under:

Name of Director	No. of Board Meetings attended	Whether attended the AGM
Mr. S.K. Poddar	4	Yes
Mr. Shantanu Khosla	4	Yes
Mr. Subhash Bansal	4	Yes
Mr. B.S. Mehta	3	No
Mr. C.R. Dua	4	Yes
Mr. Gurcharan Das	NIL	No
Mr. Akshay Poddar	3	Yes
Ms. Deborah Henretta	NIL	No
Mr. M.K. Kumar*	NIL	No
Mr. Ashok Chhabra**	3	Yes
Mr. Jyoti Sagar #	N.A.	N.A.

* Alternate to Mr. Akshay Poddar

** Alternate to Ms. Deborah Henretta

\# Appointed as Additional Independent Director with effect from August 29, 2008.

(d) Material significant related party transactions:

There are no material pecuniary relationships/ significant transactions made by the Company with its promoters, directors or management, their subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in note B-17 of Schedule 17 to the Accounts in the Annual Report.

(e) Directors Remuneration:

At the 22nd Annual General Meeting of the members of the Company held on April 29, 2006, it was resolved to pay to Mr. S.K. Poddar, Non-Executive Chairman, commission upto one per cent of the net profits of the Company for each financial year. Subsequently, at the 23rd Annual General Meeting of the members of the Company held on October 25, 2007, it was resolved to pay to the Independent Directors, viz. Mr. C.R. Dua, Mr. B.S. Mehta and Mr. Gurcharan Das, commission upto one per cent of the net profits of the Company for each financial year.

It is now proposed to obtain an enabling resolution authorizing the Board to pay commission to all its non-executive directors upto one per cent of net profits of the Company in the aggregate for each financial year. The Board will also be authorized to fix the quantum of commission to be paid to each non-executive director and the period for which the commission is payable.

The remuneration of executive directors comprises salary, house rent allowance, perquisites, contribution to provident and other funds, gratuity and leave travel allowance and other perquisites and benefits as per the policy of the Company. The details of remuneration paid/ provided to the executive/non executive directors during the financial year 2007-08 is as under:

Amount in Rs.

Name of Director	Relationship with other directors	Salary including Bonus + PF contribution	Perquisites	Sitting Fees	Commission	Total
Mr. S.K. Poddar	Father of Mr. Akshay Poddar	Nil	Nil	Nil	60,00,000	60,00,000
Mr. Shantanu Khosla	None	Nil*	Nil	Nil	Nil	Nil
Mr. Subhash Bansal	None	1,10,60,273	968,343	Nil	Nil	1,20,28,616
Mr. C.R.Dua	None	Nil	Nil	Nil	10,00,000	10,00,000
Mr. B.S. Mehta	None	Nil	Nil	Nil	10,00,000	10,00,000
Mr. Gurcharan Das	None	Nil	Nil	Nil	10,00,000	10,00,000
Mr. Akshay Poddar	Son of Mr. S.K. Poddar	Nil	Nil	20,000	Nil**	20,000
Ms. Deborah Henretta	None	Nil	Nil	Nil	Nil	Nil
Mr. M.K. Kumar	None	Nil	Nil	Nil	Nil	Nil
Mr. Ashok Chhabra	None	Nil	Nil	Nil	Nil	Nil
Mr. Jyoti Sagar#	None	N.A.	N.A.	N.A.	N.A.	N.A.

* Remuneration charged to the accounts in respect of the Managing Director: Rs.58,76,298/-.

** Commission charged to the accounts amounting to Rs.500,000/- is subject to the approval of the members at the ensuing Annual General M eeting.

\# Appointed as Additional Independent Director with effect from August 29, 2008.

The term of the Managing Director (MD) and Whole-time Director (WTD) is for a period of five years from the date of their respective appointments. No fee/ compensation is payable to the directors on severance of their directorship with the Company.

The Company has not issued stock options to any of its Directors. However, all employees of the Company including its whole-time directors 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 options of the parent Company under its 'Employee Stock Option Plan'. Details as regards the same are disclosed vide note nos. 18 and 19 of Schedule 17(B) to the Accounts in the Annual Report.

Number of Shares held by Non Executive Directors:

Mr. S.K.Poddar	-	2,25,480
Mr. Akshay Poddar	-	76,923

(f) Committees of the Board:

(i) Audit Committee

The Audit Committee comprises of Mr. C.R. Dua (Chairman), Mr. S.K. Poddar and Mr. B.S. Mehta. During the financial year 2007-08, four Audit Committee meetings were held on August 24, 2007, October 25, 2007, January 30, 2008 and April 30, 2008.

The attendance of each member of the Committee is given below:

Name	Designation	Category	Profession	No. of meetings attended
Mr. C.R. Dua	Chairman	Independent Director	Advocate	4
Mr. S.K. Poddar	Member	Non-Executive Director	Business	4
Mr. B.S. Mehta	Member	Independent Director	Chartered Accountant	3*

* Mr. B.S. Mehta could not attend one Audit Committee held on October 25, 2007 due to unavoidable circumstances.

All the members have extensive financial and accounting knowledge and background. The terms of reference of the Audit Committee are in line with revised clause 49 II (C) and (D) of the Stock Exchange listing agreement and Section 292A of the Companies Act, 1956. The Audit Committee *inter alia*, provides reassurance to the Board on the existence of an effective internal control environment. The quorum for the Committee is two members, who are independent directors.

The terms of reference of Audit Committee is as per the Audit Charter which amongst other things includes the following:

(a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;

(b) Recommending the appointment and removal of external auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the auditors;

(c) Reviewing with the management the financial statements before submission to the Board, focusing primarily on:

- Any change 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 regulations and legal requirements concerning financial statements
- Related party transactions

(d) Reviewing with the management, external and internal auditors, the adequacy of internal control system and the Company's statement on the same prior to endorsement by the Board;

(e) Reviewing reports of internal audit and discussion with internal auditors on any significant findings and follow-up thereon;

(f) Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;

(g) Discussion with the external auditors, before the audit commences, on nature and scope of audit, as well as after conclusion of the audit, to ascertain any areas of concern and review the comments contained in their management letter;

(h) Reviewing the Company's financial and risk management policies;

(j) Looking into the reasons for substantial defaults, if any, in payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors;

(k) Considering such other matters as may be required by the Board;

(l) Reviewing any other areas which may be specified as role of the Audit Committee under the listing agreement, Companies Act and other statutes, as amended from time to time.

The minutes of the Committee are placed before the Board. The Company Secretary is the Secretary of the Committee.

(ii) Remuneration Committee

The Remuneration Committee comprises of the following Non-Executive Directors namely Mr. Akshay Poddar, Mr. C.R. Dua and Mr. B.S. Mehta.

The Chairman is elected from amongst the members of the Committee.

The scope of the Remuneration Committee includes finalising the remuneration packages for Executive Director(s) of the Company.

No meeting of this Committee was held during the year.

(iii) Share Transfer and Shareholders' / Investors' Grievance Committee

The Shareholders' Committee comprises of Mr. Akshay Poddar, Mr. Subhash Bansal and Mr. Shantanu Khosla.

Mr. Akshay Poddar is the Chairman of the Committee. The various issues addressed in connection with shareholders and investors' services and complaints are:

Share Transfers :

a) Approve and register transfer and transmission of shares, wherever applicable.

Sub – division/consolidation/ rematerialisation of share certificates

Issue of duplicate share certificates in lieu of lost share certificates.

Affix common seal on share certificates and maintain safe custody of the common seal.

b) Shareholders / Investors complaints pertaining to:

i) Non receipt of shares after transfer/ annual report/ dividend.

ii) Other matters related to or arising out of shareholders'/investors' services.

The minutes of the Committee are placed before the Board. The present quorum for this Committee is two members. The Committee meets regularly to effect share transfers and for other related matters as referred in point (a) and (b) above. The Company Secretary is the Compliance Officer. He regularly addresses shareholders complaints, oversees share transfer process and liaises with the regulatory authorities.

During the financial year, 20 meetings of the Committee were held. The attendance of each member of the Committee is given below:

Name	No. of Committee meetings attended
Mr. Akshay Poddar	20
Mr. Shantanu Khosla	20
Mr. Subhash Bansal	10

3. MANAGEMENT

Management Discussion and Analysis

While the Indian blades and razors market continues to be dominated by the double edge blade segment, factors such as increased purchasing power of the Indian consumers, a high level of interest in personal grooming amongst Indian men and a strong focus by your Company to create awareness of technologically advanced products have resulted in very encouraging signs of growth in the triple blade and twin blade systems.

The endorsement of Gillette *Mach3* by iconic sportsmen like Roger Federer, Thierry Henry, Tiger Woods and Rahul Dravid got strong media coverage. In order to boost this association, the Company organized a *"Challenge the Winners"* program under which consumers participated in an online gaming championship to be among the lucky 8 to meet Rahul Dravid in Australia. Further, an unique *Mach3* Comfort Challenge program invited consumers to try the product and give their feedback. A resounding 99% of the men who took the challenge agreed that it was the most comfortable shave they ever had. *Mach3* reached metro consumers innovatively through TV advertising and activation on internet, radio and shopping malls.

Vector Plus has been growing year on year since launch, enabling millions of Indian men to enjoy a tension free shave start to a great day. To reach out to the common man, *Vector Plus* was re-priced to a more economical price point, which enabled consumers to enjoy 3 weeks of tension-free shave at Rs.10 only. The re-pricing helped double the brand's penetration and further accelerated growth. To celebrate this occasion *Vector Plus* launched a 9 city Ten10 Galli Cricket tournament lasting 3 weeks. A limited edition, red colour *Vector Plus* SPEED razor was introduced to appeal to the youth who desire a quick shave to look their best.

The Company launched a school program to coach high school boys on personality development and right shaving education, in which more than four lakhs boys across 100 cities participated.

Personal Care also recorded over 20% growth driven by increased preference for shaving gel over cream.

Manual toothbrushes continue to dominate the Oral Care market in India. As per news reports, the number of people visiting dentists is increasing everyday and today there is greater awareness of the importance of oral hygiene. This year, your Company made very strong progress in the Oral Care segment. The Company launched a free dental check up offer on purchase of *Oral-B* brushes. Thousands of consumers took benefit of this offer and got a preventive dental check at a dentist near their home. *Oral-B* Shiny Clean helped grow penetration of the *Oral-B* brand which is now available in over 10 lakh stores around the country. The Company launched *Oral-B* Gum Protect for consumers needing extra soft brushes at an affordable price.

India is the third largest battery market in the world after the US and China. The size of the Indian batteries market is over 2 billion cells, which is dominated by local low priced battery manufacturers. Alkaline Batteries Segment is not yet matured and thus represents a huge opportunity to upgrade consumers from zinc to better performing alkaline batteries, as the usage of high drain devices like digital cameras grows.

Outlook and Opportunities

The Government's continued focus on liberalization, trade friendly policies and improvement in infrastructure have resulted in a steady inflow of global investments into the Indian market. This, in turn, has translated into immense employment opportunities and a sustained economic boom. The disposable income has gone up and as a result people working in old manufacturing sector as well as new emerging sectors such as BPOs, IT, ITES, retail etc. are open to invest in their grooming needs. Organized retailing continues to make progress in India and we expect it to continue to strengthen in years to come, which in turn will benefit your Company.

Cable television has penetrated in to the smallest of Indian towns and has taken with it awareness of latest lifestyle trends and brands, which have become an aspiration for many consumers. This increased awareness coupled with the increase in disposable incomes has translated into a desire to upgrade lifestyles through owning and using better quality brands. All this has positively impacted the brands of your Company.

Threats, Risks & Concerns

One of the hurdles faced by your Company is that the market is largely price driven as consumers do not perceive any benefit in paying incremental price for a quality product. Your Company has taken this as a challenge and has attempted to upgrade its consumers to better technology products through various campaigns which have been successful.

Some other barriers include low frequency of shaving, low attention to oral hygiene habits, low priced but unhygienic barbers and emergence of rechargeable batteries. The attempt to change lifestyles and spending pattern will be gradual, but your Company has achieved significant success in its endeavours in this direction and will continue to address and overcome these issues.

Risk Management

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 the 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' sites and operations are periodically reviewed by the Company for managing risks, if any.

The Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations. With the increasing attractiveness of India as a manufacturing hub, services and trade in emerging and diverse sectors such as aviation, hospitality, banking, telecom, retail, energy etc. employment opportunities have increased manifold for today's graduates, engineers, accountants etc. Therefore, human resources management has assumed vital importance in the Company.

The 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.

<u>Attracting Talent:</u> Recruiting is a key focus – The 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. The 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. The Company benchmarks its compensation with industry leaders in FMCG, retail banking and emerging sectors like telecom, retail trade etc. to ensure that it is competitive in the market for talent. The Company's benefit programs are best in class giving it a competitive advantage.

<u>Motivating and Retaining Talent:</u> Strong induction and training systems for new hires is a key part of the retention program. The 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 helps employees to plan their career goals and understand the skills needed to be built. The Company's annual performance management system is very robust and clearly assesses and differentiates amongst employees on the basis of performance and potential. The 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. The Company is committed to providing meaningful, fast growing, international careers to employees and this is a key part of our retention efforts.

Internal Control Systems

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.

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.

4. SHAREHOLDERS

(a) Disclosures regarding appointment/ re-appointment of Directors:

During the year, Mr. C.R. Dua and Mr. Akshay Poddar, Directors, retire by rotation and being eligible, offer themselves for re-appointment. Mr. Jyoti Sagar was appointed as an Additional Director of the Company with effect from August 29, 2008.

Brief resumes of the Directors are given hereunder:

Mr. C.R. Dua is the founding partner of Dua Associates, which is a leading law firm in India with presence in eight cities. He has successfully established and developed Dua Associates into a practice with over 175 professionals including 48 partners and senior principals. Mr. Dua has vast experience in corporate law, mergers & acquisitions, privatization, project finance, public issues, entry strategies, foreign investment, corporate structuring/ restructuring, infrastructure projects, international trade and taxation aspects of doing business in India. Mr. Dua is the founder member of the American Chamber of Commerce in India.

Presently, he is a Director of the following public companies: Cabot India Limited, Vodafone Essar Limited, House of Pearl Fashions Limited, Timex Group India Limited, TVS Motor Company Limited and Wimco Limited.

Mr. Dua is also on the Board as a Member of the following Audit Committees: Cabot India Limited and Wimco Limited.

Mr. Akshay Poddar, a graduate from London School of Economics is one of the promoter directors of Poddar Heritage Enterprises. The group has promoted various projects including several joint ventures with leading international corporations, which includes Gillette India Limited (formerly Indian Shaving Products Limited – a joint venture with The Gillette Company, USA).

Mr. Poddar is also on the Board of Paradeep Phospates Limited, Gobind Sugar Mills Limited, Lionel Edwards Limited, Poddar Heritage Investments Limited, Poddar Heritage Corp Limited and Syndak Teatech Limited.

Mr. Poddar is also on the Board as a Chairman or Member of the following Audit/ Shareholder Grievance Committees: Gobind Sugar Mills Limited, Poddar Heritage Corp Limited, Poddar Heritage Investments Limited and Paradeep Phospates Limited.

Mr. Jyoti Sagar is the founder partner of J. Sagar Associates which was founded in 1991. Mr. Sagar has extensive experience in a wide range of practice areas including corporate and commercial laws, mergers & acquisitions, banking, finance and infrastructure projects. He has worked extensively on several policy issues including serving on various committees of the Government of India and chambers of commerce. In addition to his practice in the firm, Mr. Sagar is also Senior Partner of K&S Partners, New Delhi, a firm specialising in Intellectual Property Laws. He is associated with a number of national and international professional bodies and organisations.

(b) Communication to shareholders:

i) The quarterly results of the Company are announced within a month of completion of the quarter. Audited annual results are announced within three months of the end of financial year. Such results are published in the following newspapers:

Business Standard (English), Adhikar, Jaipur (Hindi)

ii) Half yearly reports are not sent to each household of the shareholders at present.

iii) The Company has created a website viz. www.pg-india.com/gillette into which the Company's results and official news releases are published.

iv) The quarterly financial results and shareholding pattern are posted on Electronic Data Information Filing and Retrieval (EDIFAR) website viz. www.sebiedifar.nic.in.

(c) Disclosures:

i) Materially significant related party transactions:

There are no material transactions during the period that have a potential conflict with the interests of the Company.

ii) Compliance by the Company:

The Company has complied with all applicable requirements prescribed by the regulatory and statutory authorities including Stock Exchanges and SEBI during the preceding three financial years on all matters related to capital markets and no penalties/ strictures in this respect have been imposed on the Company.

iii) 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 the 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 Audit Committee was accessible to all employees.

iv) *CEO/ CFO Certification:*

In terms of the 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.

v) *Compliance with mandatory and adoption of non mandatory requirements:*

In terms of SEBI Circular no. SEBI/CFD/DIL/CG/1/2008/08/04 dated April 8, 2008, if the Chairman of the Board of Directors is a non-executive promoter, then at least 50% of the Board should comprise of independent directors. The Company has appointed one independent director on the Board on August 29, 2008. The Company is taking necessary steps to appoint one more independent director in order to fully comply with this requirement.

The Company has complied with all mandatory requirements except a small unavoidable deviation involving quorum requirement in one Audit Committee meeting and with the following non mandatory requirements of clause 49 of the listing agreement.

Compliance with Non Mandatory Requirements

a) (i) The Company has provided the Chairman with an office at its corporate office at Mumbai.

(ii) There is no fixed tenure for independent directors.

(iii) 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.

b) The Company has constituted a Remuneration Committee.

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

d) The Board comprises of professionals with expertise in their respective fields. They endeavour to keep themselves updated with changes in global economy and legislation. Moreover, 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) The Company follows a Whistle Blower Policy as laid down in its "Worldwide Business Conduct Manual".

(d) General Meetings of members:

AGM	Date	Time	No. of special resolutions passed
23rd	25.10.2007	11.00 a.m.	1
22nd	29.04.2006	3.30 p.m.	1
21st	27.04.2005	10.00 a.m.	Nil

All the three annual general meetings were held at SPA-65A, Bhiwadi Industrial Area, Bhiwadi, (Dist. Alwar), Rajasthan 301 019.

No special resolution was put through postal ballot in the financial year 2007-08.

(e) Code of conduct:

(i) Code of conduct for Directors and Senior Management

The Company has adopted a Code of Conduct for its directors and senior management. The code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct and it is applicable to all directors and senior management of the Company. The Board members and senior management personnel have affirmed their compliance with the code of conduct and a CEO certificate to that effect is annexed to this Corporate Governance Report.

(ii) Code of conduct for Prevention of Insider Trading:

The Company has a code of conduct for prevention of insider trading in the shares and securities of the Company pursuant to SEBI (Prohibition of Insider Trading) Regulations, 1992. The code of conduct for Prevention of Insider Trading, *inter-alia*, prohibits purchase/ sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

5. GENERAL SHAREHOLDERS INFORMATION:

(i) Annual General Meeting

The Annual General Meeting will be held on Wednesday, October 22, 2008 at 11.00 a.m. at the Company's registered office at SPA- 65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar), Rajasthan – 301 019.

(ii) Financial Calendar

Financial Year	:	July to June
Accounts Finalisation	:	August – September
Annual General Meeting	:	October – November
Dividend Dispatch	:	Within 30 days of annual general meeting.
Quarterly Results	:	Normally before the end of following month, except 4th quarter when audited annual results are declared within 3 months as permitted under the listing agreement.

(iii) Book Closure Date

October 11 to October 22, 2008 (both days inclusive).

(iv) Dividend Payment Details

Dividend, if declared : Will be paid on or around October 31, 2008

(v) Listing of equity shares on Stock Exchanges

The Company's shares are listed on the Bombay Stock Exchange Limited 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 Limited:	- 507815
National Stock Exchange of India Limited:	- GILLETTE
ISIN CODE:	- INE322A01010

(vii) Stock Price Data

Monthly high and low quotation of shares traded on BSE and NSE during the financial year 2007-08.*

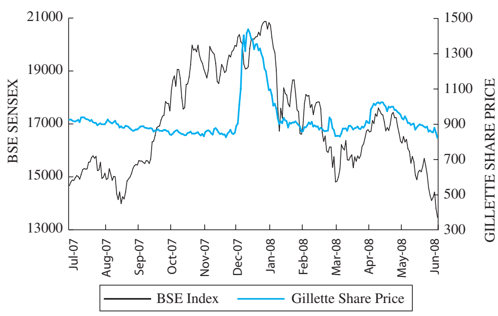
Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
July 2007	955.00	891.00	960.00	892.05
August 2007	930.05	860.00	949.00	852.00
September 2007	905.70	851.05	910.10	852.05
October 2007	918.00	805.55	940.00	800.00
November 2007	889.95	810.00	895.00	801.55
December 2007	1,525.00	840.00	1548.40	828.00
January 2008	1,404.00	841.00	1384.95	834.00
February 2008	989.95	851.15	959.80	860.00
March 2008	980.00	808.50	979.00	800.00
April 2008	1,060.00	852.55	1045.00	850.00
May 2008	1,070.00	915.10	1070.00	920.15
June 2008	990.00	820.00	950.00	816.00

* source: www.bseindia.com and www.nseindia.com

Note: High and low are in rupees per traded share.

(viii)Performance in comparison to the BSE Sensex

The following chart shows the performance of the Company's shares as compared to the BSE Sensex during the year 2007-08:



Year –July 1, 2007 to June 30, 2008(Source: www.bseindia.com)

(ix) Registrar and Share Transfer Agents

MAS Services Limited
AB – 4, Safdarjung Enclave,
New Delhi – 110 029
Ph: 011-26104142, 26104326 Fax: 011-26181081
E - Mail : info@masserv.com

Contact person: Mr. Narender Rastogi

(x) Share Transfer System and Shareholders Complaints

The Company's share transfers are handled by MAS Services Ltd., Registrar and Share Transfer Agents (RTA). The shares received in physical mode by the Company/ RTA are transferred expeditiously provided the documents are complete and shares under transfer are not under dispute. Confirmation in respect of the request for dematerialization of shares is sent to the respective depositories - National Securities Depository Limited/ Central Depository Services (India) Limited within 15 days.

During the financial year 2007-08, the Company had received 74 shareholder complaints, which were resolved expeditiously. The time taken to resolve shareholder complaints is 1 to 10 days. As on June 30, 2008, apart from one complaint, which was subsequently resolved, only those cases which are constrained by dispute or legal proceedings are pending.

There is NIL share transfer pending as on June 30, 2008.

(xi) Distribution of shareholding by size class as on June 30, 2008

No. of Shares held	No. of Shareholders Total	No. of Shareholders % of Share-holders	No. of Shares Total	No. of Shares % to Share Capital
1 – 500	14472	95.71	1082985	3.32
501 – 1000	336	2.22	246977	0.76
1001 – 2000	152	1.01	223803	0.69
2001 – 3000	43	0.28	105282	0.32
3001 – 4000	22	0.15	75716	0.23
4001 – 5000	24	0.16	112343	0.35
5001 – 10000	24	0.16	173957	0.53
10001 and above	47	0.31	30564154	93.80
Total	**15120**	**100.00**	**32585217**	**100.00**

Distribution of shareholding by ownership as on June 30, 2008

Category	Number of Shares held	% of Shares held
Indian & Foreign Promoters	28911849	88.73
Resident Individuals	2167633	6.64
Mutual Funds & UTI	429939	1.32
Financial Institutions/ Banks	8520	0.03
Foreign Institutional Investors	97592	0.30
Private Corporate Bodies	758192	2.33
NRIs	211492	0.65
Directors and their Relatives	0	0
TOTAL	**32585217**	**100.00**

(xii) Unclaimed/ Unpaid Dividends

The amount of unclaimed dividends for and upto the year ended 1999 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 so far claimed their dividends for the said periods shall not be entitled to claim the same from the Company or the said Fund.

Final dividend for the financial years ended December 31, 2001 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 the year ended December 31, 2001, or any subsequent year(s), are requested to seek issue of duplicate warrants on or before the due dates mentioned there against, by writing to the Company's RTA, M/s. MAS Services Limited.

Pursuant to Section 205A(5) of the Companies Act, 1956, the following unpaid dividends are due for transfer to the Investor Education and Protection Fund:

Dividend No.	Date of Declaration	For the year ended	Due Date for transfer to IEPF
9	07.06.2002	31.12.2001	14.07.2009
10	09.05.2003	31.12.2002	15.06.2010
11	29.04.2004	31.12.2003	05.06.2011
12	27.04.2005	31.12.2004	03.06.2012
13	29.04.2006	31.12.2005	05.06.2013
14 (Interim)	27.02.2007	30.06.2007	05.04.2014
15 (Final)	25.10.2007	30.06.2007	01.12.2014

(xiii) Dematerialisation of shares and liquidity

The shares of the Company are compulsory traded in the dematerialized form only. The Company had an agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to provide trading facilities to the shareholders/ investors in the dematerialized form.

As on June 30, 2008 a total of **27,683,263** shares constituting **84.96%** of the share capital of the Company stand dematerialized and **11,353** shareholders are holding shares in the dematerialized form.

(xiv) Outstanding GDRs/ADRs, warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not made any GDR/ADRs/ warrants or any convertible instruments till date.

(xv) Plant Locations

India Bhiwadi Manufacturing Centre
SPA – 65A, Bhiwadi Industrial Area,
Bhiwadi, (Distt. Alwar)
Rajasthan – 301019

India Baddi Packing Centre
Plot no. 4, Industrial Area
Village Katha
Bhatoli Kalan
Baddi 173205
Dist. Solan,
Himachal Pradesh

(xvi) Address for Correspondence

Gillette India Limited
P&G Plaza,
Cardinal Gracias Road
Chakala
Andheri (East)
Mumbai 400 099
Ph : 022-28266000; Fax 022-66939696

Gillette India Limited
SPA – 65A,
Bhiwadi Industrial Area, Bhiwadi
(Distt. Alwar)
Rajasthan – 301019

Compliance Officer:

Mr. Deepak Acharya,
Company Secretary
Ph : 022-28266000 Fax : 022-66939696
e - mail : acharya.d@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, 2008 and the Senior Management has complied with the Business Conduct Manual for the year ended June 30, 2008.

For **GILLETTE INDIA LIMITED**

S. Khosla
Managing Director

Mumbai
August 29, 2008

Auditors' Certificate on compliance of conditions of Corporate Governance under clause 49 of the listing agreement.

To,
The Members
Gillette India Limited

We have examined the compliance of conditions of Corporate Governance by Gillette India Limited for the financial year ended June 30, 2008 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, except that:

i. In terms of SEBI Circular no. SEBI/CFD/DIL/CG/1/2008/08/04 dated April 8, 2008, amending the conditions of corporate governance under clause 49 of the Listing Agreement with the stock exchanges; the Company did not have the required number of independent directors for the period from April 8, 2008 to June 30, 2008. We have been informed that subsequent to the year end, the Company has initiated necessary steps to comply with the said amendment.

ii. In the absence of an independent director at one audit committee meeting held during the year, there was no quorum at the said meeting as required under the above mentioned clause 49 of the 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

N.P. Sarda
Partner
Membership No. 9544

Mumbai,
August 30, 2008

AUDITORS' REPORT TO THE MEMBERS OF GILLETTE INDIA LIMITED

1. We have audited the attached Balance Sheet of Gillette India Limited ("the Company") as at June 30, 2008, 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. Attention is invited to Note B3 of the Schedule 17 annexed to and forming part of the financial statements regarding charging off of Business Restructuring expenses to Capital Reserve. Pursuant to the approval given by the High Court of Rajasthan dated August 22, 2006 and December 04, 2006 to the Scheme of Arrangement filed by the Company under Section 391 of the Companies Act, 1956, in respect of charging off of "business restructuring expenses - gross of tax" to the capital reserve; the Company has been permitted to transfer an amount of upto Rs. 8500.00 lakhs from the Capital Reserve to a "Reconstruction Reserve Account". The total expenses charged off to Reconstruction Reserve Account for the year ended June 30, 2008 amounted to Rs. 389.97 lakhs. Had the restructuring expenses not been adjusted to Capital Reserve under the order of the High Court of Rajasthan and debited to the Profit and Loss account as per the generally accepted accounting principles, the net profit after tax (inclusive of the effect of deferred tax) would have been lower and the Capital Reserve been higher for the year by Rs. 575.60 lakhs.

5. Attention is invited to Note B9 of Schedule 17 annexed to and forming part of the financial statements regarding commission provided for payment to a non-executive director amounting to Rs.5 lakhs which is subject to the approval of the Members at the ensuing Annual General meeting of the company.

6. 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2008 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, 2008;

      (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

N. P. Sarda
Partner
Membership No. 9544

Mumbai,
August 30, 2008

Annexure referred to in paragraph 3 of the Auditors' Report on the Accounts of Gillette India 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, 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 continuing failure to correct major weaknesses in such internal control systems.

5. According to the information and explanations given to us, there are no contracts or arrangements the particulars of which needs to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.

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 shaving systems, 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, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year; except in the following cases:

      Statement of arrears of undisputed Statutory Dues Outstanding for More than Six Months:

Name of the Statute	Nature of the Dues	Amount (Rs. In Lakhs)	Year to which the amount relates	Due Date	Date of Payment
Income Tax Act, 1961	Tax Deducted at Source	13.35	July 2007	August 7, 2007	Not yet paid

   b. According to the information and explanations given to us, the details of disputed excise duty, sales tax, service tax and custom duty dues which have not been deposited as on June 30, 2008 on account of dispute are given below:

Sr No.	Name of the Statute	Amount under dispute not yet deposited (Rs. in Lakhs)	Year to which the amount relates	Forum where dispute is pending
1	Excise duty*	27.13	May - 1996, Nov'94 - May'96, Jul'97, Apr'04 - Sep'04, Sept-1995 - Nov-1995, Apr'02 - Jan'03, Dec'04 - Sept'07	Appellate Authorities
		12523.66	Apr'94 - Sep'96, Nov'96 - May'98, Sept'03 - July'05	Tribunal
		8.92	1991, Feb'01 - Sep'01, Oct'01 - July'02	High Court
	Sub-total	12559.71		
2	Sales Tax	760.05	1996-1997, 1998-1999 to 2005-2006	Appellate Authorities
		10.28	1997-1998, 2003-2004, 2004-2005	Tribunal
	Sub-total	770.33		
3	Custom Duty	1528.06	Sept- 2005 to February 2007	Appellate Authorities
		26.53	1996	CESTAT
	Sub-total	1554.59		
4	Service Tax	49.55	2000-2001, 2001-2002, 2004, 2005-2006	Appellate Authorities
	Sub-total	49.55		
	Grand total	**14934.18**		

* This excludes disputed unpaid demands of Rs.2168.36 lakhs raised by the authorities on the third parties with whom the company has business transactions / contractual obligations.

There were no disputed dues remaining unpaid in respect of Income 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 accounting period.

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. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.

12. 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.

13. 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

N. P. Sarda
Partner
Membership No. 9544

Mumbai,
August 30, 2008

Balance Sheet as at June 30, 2008

	Schedule No.	As at June 30, 2008 Rs.	Rs.	As at June 30, 2007 Rs.	Rs.
Sources of Funds					
Shareholders' funds					
Capital	1	32 58 52 170		32 58 52 170	
Reserves and Surplus	2	3 92 82 48 329		3 27 00 77 025	
			4 25 41 00 499		3 59 59 29 195
Deferred Tax Liability - Net	3		4 73 18 810		7 20 55 809
TOTAL			4 30 14 19 309		3 66 79 85 004
Application of Funds					
Fixed Assets	4a				
Gross Block		2 53 07 82 539		2 52 63 42 280	
Less : Depreciation/Amortization		1 61 88 81 131		1 50 17 21 893	
Net Block		91 19 01 408		1 02 46 20 387	
Capital work-in-progress (including advances on capital account)		3 00 40 148		58 92 180	
			94 19 41 556		1 03 05 12 567
Fixed Assets held for disposal	4b		60 00 116		4 03 78 042
Current Assets, Loans and Advances					
Inventories	5	1 03 19 81 479		82 67 50 464	
Sundry Debtors	6	64 35 33 798		63 95 09 699	
Cash and Bank Balances	7	76 44 46 344		1 72 79 59 946	
Other Current Assets	8	4 72 08 493		79 10 421	
Loans and Advances	9	2 66 47 62 086		91 31 73 155	
		5 15 19 32 200		4 11 53 03 685	
Less : Current Liabilities and Provisions					
Current Liabilities	10	1 25 96 57 294		1 04 25 70 392	
Provisions	11	53 87 97 269		47 56 38 898	
		1 79 84 54 563		1 51 82 09 290	
Net Current Assets			3 35 34 77 637		2 59 70 94 395
TOTAL			4 30 14 19 309		3 66 79 85 004
Significant Accounting Policies and Notes to Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of Board of Directors

N. P. Sarda
Partner

S.K. Poddar
Chairman

S. Khosla
Managing Director

D. Doss
Finance Manager

D. Acharya
Company Secretary

Mumbai, August 30, 2008

Mumbai, August 29, 2008

Profit and Loss Account for the year ended June 30, 2008

	Schedule No.	For the year ended June 30, 2008 Rs.	For the period from January 1, 2006 to June 30, 2007 Rs.
Income			
Sales - Gross		6 05 82 68 860	7 24 79 45 959
Less : Excise duty (Refer Note B21 of schedule 17)		16 98 42 905	41 75 19 277
Net Sales		5 88 84 25 955	6 83 04 26 682
Other Income	12	19 12 73 987	33 45 89 587
		6 07 96 99 942	7 16 50 16 269
Expenditure			
Raw and packaging materials consumed		1 50 88 96 158	2 03 85 52 682
Purchase of finished goods		72 44 09 096	91 68 66 957
Decrease/(Increase) in finished goods and work-in-process	13	3 44 85 696	(41 28 92 863)
Payments to and provisions for employees	14	35 79 57 756	50 32 56 172
Operating and other expenses	15	1 63 66 97 062	2 16 10 69 858
Interest	16	790	31 376
Depreciation/Amortization		13 98 33 580	22 29 83 385
		4 40 22 80 138	5 42 98 67 567
Profit Before Taxation and Exceptional items		1 67 74 19 804	1 73 51 48 702
Exceptional items - Profit on sale of property (Refer note B5 of schedule 17)		14 45 15 031	42 45 80 534
Profit Before Taxation and after Exceptional items		1 82 19 34 835	2 15 97 29 236
Provision for taxation :			
Income Tax			
Current Tax		65 79 65 000	74 87 47 000
Deferred Tax credit - (Net)		(2 47 37 000)	(4 48 57 000)
Fringe Benefit tax		1 50 00 000	3 22 00 000
Wealth tax		—	56 000
Profit After Taxation		1 17 37 06 835	1 42 35 83 236
Balance brought forward from previous period		1 25 04 17 519	62 93 10 283
Amount available for appropriation		2 42 41 24 354	2 05 28 93 519
Appropriations:			
Transfer to Contingency Reserve		6 00 00 000	—
Proposed dividend		40 73 15 213	24 43 89 128
Interim dividend paid		—	32 58 52 170
Corporate tax on dividend (including interim dividend)		6 92 23 220	8 72 34 702
Transfer to General Reserve		11 75 00 000	14 50 00 000
		65 40 38 433	80 24 76 000
Balance carried forward		1 77 00 85 921	1 25 04 17 519
Number of equity shares outstanding during the year of Rs 10/- each		3 25 85 217	3 25 85 217
Basic and diluted earnings per share:			
— after exceptional items (Rs.) (Refer Note B13 of schedule 17)		36.02	43.69
— before exceptional items (Rs.) (Refer Note B13 of schedule 17)		32.87	35.09
Significant Accounting Policies and Notes to Accounts	17		

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

For and on behalf of Board of Directors

N. P. Sarda
Partner

S.K. Poddar
Chairman

S. Khosla
Managing Director

D. Doss
Finance Manager

D. Acharya
Company Secretary

Mumbai, August 30, 2008

Mumbai, August 29, 2008

Cash Flow Statement for the year ended June 30, 2008

	For the year ended June 30, 2008		For the period from January 1, 2006 to June 30, 2007	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from Operating Activities				
Profit Before Taxation and after Exceptional items		1 82 19 34 835		2 15 97 29 236
Adjustments for:				
Depreciation/Amortisation	13 98 33 580		22 29 83 385	
Bad Debts written off	—		55 72 341	
Provision for doubtful debts and advances	—		2 06 92 664	
Provision for Employee Benefits	(79 73 688)		6 52 32 524	
Write-back of liabilities no longer required	(20 47 484)		(6 59 90 445)	
Interest expense	790		31 376	
Interest income	(17 26 12 335)		(17 43 87 898)	
Unrealised Foreign Exchange Loss/(Gain)	79 48 933		(32 20 803)	
Advances written off	—		18 38 388	
Inventories written off	5 67 02 841		2 18 28 520	
Profit on sale of fixed assets (net)	(13 97 87 989)		(41 96 97 408)	
		(11 79 35 352)		(32 51 17 356)
Operating profit before working capital changes		1 70 39 99 483		1 83 46 11 880
Adjustments for :				
Trade and other receivables	(32 36 70 718)		(38 99 80 857)	
Inventories	(26 19 33 857)		(34 98 61 000)	
Trade and other payables	20 46 29 809		43 89 69 306	
		(38 09 74 766)		(30 08 72 551)
Cash generated from operations		1 32 30 24 717		1 53 37 39 329
Direct taxes paid (net)		(87 42 47 096)		(76 84 56 926)
Business Restructuring expenses (Refer note B3 of schedule 17)		(3 89 97 098)		(65 22 74 068)
Net Cash generated from Operating Activities		40 97 80 523		11 30 08 335
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(5 44 11 775)		(26 70 49 612)	
Sale of fixed assets	17 73 15 123		75 66 88 185	
Interest received	13 33 14 263		18 56 36 320	
Loan to fellow subsidiary	(1 74 50 00 000)		(15 80 00 000)	
Inter Corporate Deposits placed/repaid (net)	40 00 00 000		(48 00 00 000)	
Net Cash generated from/(used in)/from Investing Activities		(1 08 87 82 389)		3 72 74 893
C. Cash Flow from Financing Activities				
Dividend paid	(24 43 89 128)		(65 17 04 340)	
Corporate Tax on Dividend paid	(4 15 33 932)		(9 14 01 537)	
Interest paid	(790)		(31 376)	
Net Cash used in Financing Activities		(28 59 23 850)		(74 31 37 253)
Net Decrease in Cash and Cash Equivalents		(96 49 25 716)		(59 28 54 025)
Cash and Cash Equivalents (Refer Note below) :				
Opening Balance	1 72 87 35 249		2 32 15 89 274	
Closing Balance	76 38 09 533		1 72 87 35 249	
Net Decrease in Cash and Cash Equivalents		(96 49 25 716)		(59 28 54 025)

Notes :

1 As the previous Accounting period was for a period of eighteen months ended June 30, 2007 and the current Accounting year is for a period of twelve months ended June 30, 2008, the figures in respect of the current Accounting year are not directly comparable with those of the previous Accounting period.

2 Cash and Cash Equivalents as on

	June 30, 2008	June 30, 2007
Cash and Bank Balances (Refer Schedule 7)	76 44 46 344	1 72 79 59 946
Effect of exchange rate changes- (gain)/loss	(6 36 811)	7 75 303
Cash and Cash equivalents as restated	76 38 09 533	1 72 87 35 249

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. Sarda
Partner

Mumbai, August 30, 2008

For and on behalf of Board of Directors

S.K. Poddar
Chairman

S. Khosla
Managing Director

D. Doss
Finance Manager

D. Acharya
Company Secretary

Mumbai, August 29, 2008

Schedules forming part of the accounts

	As at June 30, 2008 Rs.	As at June 30, 2008 Rs.	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.
(1) Capital				
Authorised				
3 30 00 000 (Previous period: 3 30 00 000) equity shares of Rs. 10 each		33 00 00 000		33 00 00 000
Issued and subscribed				
3 25 85 217 (Previous period: 3 25 85 217) equity shares of Rs. 10 each fully paid up		32 58 52 170		32 58 52 170
Of the above shares				
a) 1 97 18 532 equity shares (previous period : 1 97 18 532 equity shares) have been allotted as fully paid up to the shareholders of erstwhile Wilkinson Sword India Limited and erstwhile Duracell (India) Limited				
b) 2 47 31 080 equity shares (Previous period : 2 47 31 080 equity shares) are held by the ultimate holding company, The Procter & Gamble Company, USA and its subsidiaries, of which 1 33 66 742 equity shares (Previous period: 1 33 66 742 equity shares) are held by Procter & Gamble India Holdings B.V., Netherlands				
(2) Reserves and Surplus				
Capital Reserve				
— Forfeited shares - As per last Balance Sheet	43 000		43 000	
— Capital grant from The Gillette Company, USA - As per last Balance Sheet	84 35 00 000		84 35 00 000	
— Reserve arising on amalgamation of erstwhile Wilkinson Sword India Limited and erstwhile Duracell (India) Limited				
As per last Balance Sheet	25 66 19 679		1 10 66 19 679	
Less: Transfer to Reconstruction Reserve pursuant to order of the High Court of Rajasthan (Refer Note B3 of schedule 17)	—		(85 00 00 000)	
Add : Transfer from Reconstruction Reserve on completion of business restructuring pursuant to order of the High Court of Rajasthan (Refer Note B3 of schedule 17)	15 87 28 834		—	
	41 53 48 513		25 66 19 679	
		1 25 88 91 513		1 10 01 62 679
Reconstruction Reserve (Refer Note B3 of schedule 17)				
As per last Balance Sheet	19 77 25 932		—	
Transfer from Capital Reserve	—		85 00 00 000	
Utilised for Business Restructuring Expenses	(3 89 97 098)		(65 22 74 068)	
Transfer to Capital Reserve	(15 87 28 834)		—	
		—		19 77 25 932
Contingency Reserve (Refer Note B4 of schedule 17)				
As per last balance sheet	—		—	
Transfer from Profit and Loss Account	6 00 00 000		—	
		6 00 00 000		—
Share Premium				
As per last balance sheet		32 90 16 500		32 90 16 500
General Reserve				
As per last Balance Sheet	39 27 54 395		24 77 54 395	
Transfer from Profit and Loss Account	11 75 00 000		14 50 00 000	
		51 02 54 395		39 27 54 395
Profit and Loss Account				
Surplus as per Profit and Loss Account		1 77 00 85 921		1 25 04 17 519
		3 92 82 48 329		3 27 00 77 025

Schedules forming part of the accounts

	As at June 30, 2008		As at June 30, 2007	
	Rs.	Rs.	Rs.	Rs.
(3) Deferred Tax Liability - Net				
Deferred tax assets				
Voluntary retirement scheme		7 97 264		36 50 059
Provision for doubtful debts and advances		2 58 94 470		2 58 94 470
Other timing differences		5 54 46 785		5 06 88 062
		8 21 38 519		8 02 32 591
Deferred tax liability				
Depreciation		(12 94 57 329)		(15 22 88 400)
		(12 94 57 329)		(15 22 88 400)
Net deferred tax liability		(4 73 18 810)		(7 20 55 809)

(4a) Fixed Assets

	Gross Block at Cost				Depreciation/Amortization				Net Block	
Particulars	As at July 1 2007 Rs.	Additions/ Transfers during the year Rs.	Deletions/ Transfers during the year Rs.	As at June 30 2008 Rs.	As at July 1 2007 Rs.	For the year Rs.	On Deletions/ Transfers Rs.	As at June 30 2008 Rs.	As at June 30 2008 Rs.	As at June 30 2007 Rs.
Land - Freehold	7 26 567	—	—	7 26 567	—	—	—	—	7 26 567	7 26 567
Land - Leasehold #	9 62 17 660	—	—	9 62 17 660	1 03 23 665	14 23 670	2 93 900	1 14 53 435	8 47 64 225	8 58 93 995
Buildings #	30 05 76 536	2 98 236	95 76 239	29 12 98 533	5 68 77 156	1 08 20 317	6 71 445	6 70 26 028	22 42 72 505	24 36 99 380
Plant and Machinery	1 96 14 99 775	2 20 89 325	40 51 541	1 97 95 37 559	1 29 45 15 260	11 01 39 796	1 55 10 748	1 38 91 44 308	59 03 93 251	66 69 84 515
Furniture, Fittings and Office Equipment	15 82 73 544	78 76 247	55 83 056	16 05 66 735	13 69 51 927	1 44 92 260	11 41 919	15 03 02 268	1 02 64 467	2 13 21 617
Motor vehicles	90 48 198	—	66 12 713	24 35 485	30 53 885	5 74 153	26 72 946	9 55 092	14 80 393	59 94 313
	2 52 63 42 280	**3 02 63 808**	**2 58 23 549**	**2 53 07 82 539**	**1 50 17 21 893**	**13 74 50 196**	**2 02 90 958**	**1 61 88 81 131**	**91 19 01 408**	
Previous Year	2 67 27 88 763	29 82 66 944	44 47 13 427	2 52 63 42 280	1 39 01 41 877	21 93 02 667	10 77 22 651	1 50 17 21 893		1 02 46 20 387
Capital work in progress (including advances on capital account)									3 00 40 148	58 92 180
									94 19 41 556	1 03 05 12 567

(4b) Fixed Assets held for disposal

	Gross Block at Cost				Depreciation				Net Block	
Particulars	As at July 1 2007 Rs.	Additions/ Transfers during the year Rs.	Deletions/ Transfers during the year Rs.	As at June 30 2008 Rs.	As at July 1 2007 Rs.	For the year Rs.	On Deletions/ Transfers Rs.	As at June 30 2008 Rs.	As at June 30 2008 Rs.	As at June 30 2007 Rs.
Land - Freehold	84 16 678	—	84 16 678	—	—	—	—	—	—	84 16 678
Buildings	4 48 18 444	—	3 72 06 290	76 12 154	1 28 57 080	23 83 383	1 36 28 425	16 12 038	60 00 116	3 19 61 364
	5 32 35 122	—	**4 56 22 968**	76 12 154	**1 28 57 080**	**23 83 383**	1 36 28 425	16 12 038	60 00 116	
Previous Year	5 32 35 122	—	—	5 32 35 122	91 76 362	36 80 718	—	1 28 57 080		4 03 78 042
									60 00 116	4 03 78 042

\# Includes leasehold land amounting to Rs. 35 21 802 (previous period- Rs.35 21 802) and building amounting to Rs. 25 00 000 (previous period - Rs. 25 00 000) which were pending registration in the name of the Company. The same have since been registered in the name of the Company.

Schedules forming part of the accounts

		As at June 30, 2008		As at June 30, 2007	
		Rs.	Rs.	Rs.	Rs.
(5)	**Inventories (At lower of cost and net realisable value)**				
	Raw materials (including Goods-in-transit Rs 17 40 880 (Previous period Rs 4 03 489))		35 34 65 228		11 88 48 230
	Packaging materials		1 43 73 813		1 49 56 134
	Stores and spare parts		2 79 48 670		2 22 66 636
	Work-in-process		3 63 92 594		2 14 48 942
	Finished goods		59 98 01 174		64 92 30 522
			1 03 19 81 479		82 67 50 464
(6)	**Sundry Debtors - Unsecured**				
	Debts outstanding for a period exceeding six months				
	- Considered good	76 21 562		68 42 671	
	- Considered doubtful	7 61 82 612		7 61 82 612	
			8 38 04 174		8 30 25 283
	Other debts - Considered good		63 59 12 236		63 26 67 028
			71 97 16 410		71 56 92 311
	Less: Provision for doubtful debts		7 61 82 612		7 61 82 612
	Total		64 35 33 798		63 95 09 699
	(Refer Note B15 of Schedule 17- Dues from Companies under the same management)				
(7)	**Cash and Bank Balances**				
	Cash on hand		50 000		1 26 004
	Bank Balances with scheduled banks on :				
	Current accounts		4 37 96 344		1 21 33 942
	Deposit accounts		72 06 00 000		1 71 57 00 000
			76 44 46 344		1 72 79 59 946
(8)	**Other Current Assets**				
	Interest accrued on Loan to fellow subsidiary		4 60 95 548		10 82 192
	Interest accrued on inter-corporate deposits		4 27 410		28 40 550
	Interest accrued on bank deposits		6 85 535		39 87 679
			4 72 08 493		79 10 421
(9)	**Loans and Advances - Unsecured, considered good**				
	Loans and Advances recoverable in cash or in kind or for value to be received (Refer Note B16(b) of schedule 17)		49 65 30 464		20 03 13 685
	Loan to Fellow Subsidiary (Refer Note B16(a) of schedule 17)		1 90 30 00 000		15 80 00 000
	Inter-corporate deposits		8 00 00 000		48 00 00 000
	Other deposits		7 73 62 701		7 10 15 937
	Balance with customs and excise		2 60 70 139		38 43 533
	Taxes paid less provisions (Advance Income tax net of provisions Rs 255 03 56 685)		8 17 98 782		—
			2 66 47 62 086		91 31 73 155

(Refer Note B16(b) of schedule 17 - Directors Loan)

Schedules forming part of the accounts

	As at June 30, 2008 Rs.	As at June 30, 2007 Rs.
(10) Current Liabilities		
Sundry creditors		
— Due to Micro & Small Enterprises		
(Refer Note B12 of Schedule 17)	—	—
— Others #	1 06 17 81 858	83 35 34 263
Investor Education Protection Fund		
— Unclaimed dividends*	43 61 104	37 63 502
Other current liabilities	19 35 14 332	20 52 72 627
	1 25 96 57 294	1 04 25 70 392

\# Previous period includes an amount of Rs. 14 94 356 due to Small Scale Industrial Undertakings.

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

	As at June 30, 2008 Rs.	As at June 30, 2007 Rs.
(11) Provisions		
Provision for Employee Benefits	5 72 58 836	6 52 32 524
Provision for Income Tax		
(Net of Advance Income tax Rs 263 21 55 467)	—	12 44 83 314
(Previous period: Net of Advance Income tax Rs 176 79 08 371))		
Provision for Fringe Benefit Tax		
(Net of Advance Fringe Benefit tax	50 00 000	—
Rs 6 02 00 000 (Previous period Rs 5 02 00 000))		
Proposed dividend	40 73 15 213	24 43 89 128
Corporate tax on dividend	6 92 23 220	4 15 33 932
	53 87 97 269	47 56 38 898

Schedules forming part of the accounts

	For the year ended June 30, 2008		For the period from January 1, 2006 to June 30, 2007	
	Rs.	Rs.	Rs.	Rs.
(12) Other Income				
Interest on Fixed Deposits/ Inter- Corporate Deposits (gross)		**6 01 13 725**		16 80 77 194
(tax deducted at source Rs. 1 36 21 770) (Previous period : Rs. 3 82 79 278)				
Interest on loan from Fellow Subsidiaries		**11 06 64 315**		48 12 194
(tax deducted at source Rs. 2 50 76 534) (Previous period : Rs. 10 90 443)				
Interest received - Others		**18 34 295**		14 98 510
Write-back of liabilities no longer required		**20 47 484**		6 59 90 445
Sale of Scrap		**1 13 00 245**		1 00 89 059
Rental Income		**7 62 218**		3 86 12 072
Exchange Gain(Net)		**—**		2 67 76 609
Miscellaneous Income		**45 51 705**		1 87 33 504
		19 12 73 987		33 45 89 587
(13) Decrease/(Increase) in finished goods and work-in-process				
Opening Balance				
Work-in-process	**2 14 48 942**		1 00 15 752	
Finished goods (including excise duty Rs 3 44 99 862	**64 92 30 522**		24 77 70 849	
(Previous period Rs 2 56 57 269))		**67 06 79 464**		25 77 86 601
Closing Balance				
Work-in-process	**3 63 92 594**		2 14 48 942	
Finished goods (including excise duty Rs 1 70 59 529	**59 98 01 174**		64 92 30 522	
(Previous period Rs 3 44 99 862))		**63 61 93 768**		67 06 79 464
		3 44 85 696		(41 28 92 863)
(14) Payments to and provisions for employees				
Salaries, wages and bonus		**24 86 69 362**		39 74 28 696
Contribution to provident and other funds		**5 00 20 029**		6 15 97 904
Staff welfare expenses		**1 71 93 296**		7 88 84 766
Add/(Less) :Reimbursement of Salary and Benefits shared by group companies		**4 20 75 069**		(3 46 55 194)
(Refer Note B6 of schedule 17)		**35 79 57 756**		50 32 56 172

Schedules forming part of the accounts

	For the year ended June 30, 2008		For the period from January 1, 2006 to June 30, 2007	
	Rs.	Rs.	Rs.	Rs.
(15) Operating and other expenses				
Consumption of Stores and spare parts		4 32 86 590		3 69 44 739
Rent (Refer Note B7 of schedule 17)		1 04 74 648		2 01 21 499
Rates and Taxes				
Excise Duty (Refer Note B21 of schedule 17)		(1 74 40 333)		1 49 62 877
Others		13 89 905		1 47 97 480
Insurance		65 73 568		2 12 20 654
Power and fuel		4 97 76 358		6 28 35 261
Repairs and maintenance:				
Plant and machinery		1 01 56 302		1 74 89 192
Buildings		60 28 153		99 60 828
Others		4 13 723		1 35 18 296
Processing charges		2 74 89 632		4 26 28 923
Auditor's remuneration:				
As Auditor	67 25 000		75 25 000	
Tax Audit and Certification	9 60 000		9 60 000	
Reimbursement of Out-of-pocket expenses	1 20 000		1 20 000	
Service Tax	9 64 698		10 48 746	
		87 69 698		96 53 746
Trade Incentives		26 33 76 663		32 25 73 663
Advertising expenses		67 32 21 946		95 25 67 944
Freight, transport, warehousing and distribution charges		17 65 04 730		12 96 70 255
Directors' sitting fees		20 000		8 30 000
Commission to Directors		95 00 000		1 04 22 222
Turnover and Resale Tax		3 60 04 454		5 56 00 793
Travelling, conveyance and vehicle expenses		3 51 29 932		9 34 61 228
Communications		48 00 313		1 86 17 438
Business process outsourcing expenses		5 22 85 448		3 96 62 383
Computer expenses		2 19 258		1 75 728
Bad Debts written off		—		55 72 341
Provision for doubtful debts and advances		—		2 06 92 664
Inventories Written-off		5 67 02 841		2 18 28 520
Loss on sale/scrapping of fixed assets (Net)		47 27 042		48 83 126
Exchange Loss(Net)		64 37 779		–
Distributor Coverage Expenses		5 46 61 595		–
Purchased Services		1 04 22 429		4 40 83 271
Professional Fees		6 60 30 796		3 69 77 778
Others		7 92 52 215		9 23 93 892
		1 67 62 15 685		2 11 41 46 741
Add/(less): Reimbursement of expenses shared by group companies -Net		(3 95 18 623)		4 69 23 117
(Refer Note B6 of schedule 17)		1 63 66 97 062		2 16 10 69 858
(16) Interest				
Bank Interest		790		31 376
		790		31 376

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 affect 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 period. Differences between the actual result and estimates are recognised in the period 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.

Fixed assets

Fixed assets are stated at the 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 / Amortisation

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.

- Computer software – 20% per annum.
- Furniture and fixtures – 6.67% per annum
- Office equipment :
    - Other office equipment - 20% per annum
    - Fire Fighting Equipments - 10% per annum

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

Assets which were purchased by erstwhile Sharpedge Limited prior to January 1, 1983, and acquired on amalgamation, and still existing are being depreciated on written down value basis at rates specified in Schedule XIV to the Companies Act, 1956.

Assets acquired on amalgamation of erstwhile Wilkinson Sword India Limited and erstwhile Duracell (India) Limited with the Company and still existing are being depreciated on straight line basis at rates derived on the basis of remaining estimated economic useful life. The derived rates, which are higher than the minimum prescribed rates under Schedule XIV to the Companies Act, 1956, are as follows:

- Leasehold land over the remaining period of the lease
- Plant and machinery - at rates varying from 4.75% to 12.26% per annum
- Furniture, fittings and office equipment – at rates varying from 6.67% to 41.56% per annum
- Factory buildings - at rates varying from 3.34% to 5.38% per annum
- Motor vehicles - at rates varying from 9.5% to 19.40% per annum

Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction 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 a previously

Schedules forming part of the accounts

assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials (excluding bulk raw materials), stores and spare parts and traded finished goods are determined on First In First Out basis. Bulk raw materials are valued on weighted average basis. Cost of manufactured finished goods and work-in-progress includes material cost determined on weighted average basis and also includes an appropriate portion of allocable overheads.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items 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.

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

- Superannuation Fund as per Company policy administered by the Life Insurance Corporation of India.
- 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 a trust. The Company contributes to the trust, which has taken group policies with the Life Insurance Corporation of India to cover its liabilities towards employees' gratuity.
- Provident Fund for all permanent employees is administered through a trust.The Provident Fund is administered by trustees of an independently constituted common trust recognised by the Income Tax authorities where two other group Companies are also participants. Periodic contributions to the Fund are charged to revenue. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the trust and notified interest rate by the Government.

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.The liability for compensated absences for its employees at its Bhiwadi Plant is in the nature of long term benefits and the same is provided on the basis of an actuarial valuation carried out at the year end.

iii) Termination benefits are recognised as an expense as and when incurred.

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

Taxation

Income-tax expense comprises current tax, fringe benefit tax (i.e. amount of tax for the period 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 recognised 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.

Schedules forming part of the accounts

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 year 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 and Contingent Liabilities

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.

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 23 31 59 637 (Previous period: Rs 21 12 33 495)

(ii) In respect of Sales tax matters for which the company has preferred appeals with appropriate authorities - Rs 8 37 56 877 (Previous period: Rs 8 39 51 706)

(iii) In respect of Excise and Customs matters for which the company has preferred appeals with appropriate authorities - Rs 165 45 65 620 (Previous period: Rs 25 75 43 394).

(iv) In respect of counter guarantees given to bank against guarantees given by bank -Rs 5 49 43 695 (Previous period: Rs 3 23 88 891)

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 1 53 00 000 (Previous Year : Rs 1 53 00 000)

The Company is a party to various legal proceedings in the normal course of business. The Company does not expect the outcome of these proceedings to have a material adverse effect on the Company’s financial conditions, results of operations or cash flows.

b. Estimated amount of contracts remaining to be executed on capital account (net of advances) - Rs.89 02 918 (Previous period: Rs.19 28 998)

2. As the previous Accounting period was for a period of eighteen months ended June 30, 2007 and the current Accounting year is for a period of twelve months ended June 30, 2008, the figures in respect of the current Accounting year are not directly comparable with those of the previous Accounting period.

3. Consequent upon the scheme of arrangement under section 391 of the Companies Act, 1956 as approved by the shareholders and confirmed by the Hon’ble High Court of Rajasthan a sum of Rs 85 00 00 000 was transferred from the Amalgamation Reserve forming part of the Capital Reserves of the Company to a Reconstruction Reserve Account during the previous period. Further vide a clarification dated December 4, 2006, the Hon’ble High Court has clarified that the transfer of expenses to the Reconstruction Reserve Account should be gross of tax.

The Business Restructuring exercise got completed on June 30, 2008. Expenses related to the said business restructuring exercise for the period from January 1, 2006 to June 30, 2008 amounted to Rs 69 12 71 166. Upon completion of the Scheme of Arrangement the balance amount of Rs 15 87 28 834 as remaining in the Reconstruction Reserve Account has been transferred back to the Amalgamation Reserve forming part of the Capital Reserves.

A detailed break-up of Rs 69 12 71 166 (previous period Rs 65 22 74 068) as has been utilised towards the Business Restructuring expenses upto June 30, 2008 is given below:

Schedules forming part of the accounts

One Time Expenditure for the Restructuring

	Maximum amount as sanctioned by the Court Rs	Actual expenses incurred during the year Rs	Actual expenses upto June 30, 2008 Rs	Actual expenses upto June 30, 2007 Rs
Employee Separation, Relocation and related costs	53 60 00 000	3 89 97 098	52 98 32 607	49 08 35 509
Costs associated with change in Go to Market and Distribution model	21 20 00 000	—	13 94 15 791	13 94 15 791
Estimated value of asset write down w.r.t. the restructure	4 35 00 000	—	81 17 433	81 17 433
Transition Costs including Travel/Training/Communication and other related costs	3 50 00 000	—	1 39 05 335	1 39 05 335
Other miscellaneous restructuring items including contingencies	2 35 00 000	—	—	—
Total	85 00 00 000	3 89 97 098	69 12 71 166	65 22 74 068

4. During the year the Central Government has withdrawn the excise benefits on the packing and repacking activities carried out at the Baddi excise free zone. The Company has obtained a stay order from the Hon'ble High Court of Himachal Pradesh against the said withdrawal of benefit and accordingly, no excise duty is being currently paid for despatches from its Baddi plant. The company is of the view that there is a strong prima facie case in favour of the company, as the company had invested in the manufacturing and packing facilities at Baddi pursuant to the excise exemptions announced by the Government. Nevertheless the company has as a matter of prudence, created a Contingency Reserve of Rs. 6 00 00 000 by way of appropriation of profits to the extent of excise duty payable on despatches made from the Baddi plant.

5. During the year, the Company has disposed off its property situated at Mysore (Previous period: Disposal of Global Business Park office at Gurgaon)

6. Common service expenses paid/recovered include payment/recoveries on account of finance, personnel, secretarial, administration and planning services rendered under common services agreement of the Company with Procter and Gamble Hygiene and Healthcare Limited and Procter and Gamble Home Products Limited w.e.f July 1, 2006.

7. The Company had taken on lease, accommodation 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. Lease payments amounting to Rs. 1 04 74 648 (previous period - Rs. 2 01 21 499) have been charged to the Profit and Loss Account for the year.

8. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956:

	2007-2008 Rs	2006-2007 Rs
Profit before Tax	1 82 19 34 835	2 15 97 29 236
Add: Provision for doubtful debts	—	2 06 92 664
Bad Debts/Advances written off	—	74 10 730
Managerial Remuneration	2 15 28 616	4 54 10 459
	1 84 34 63 451	2 23 32 43 089
Less: Profit on sale of assets (Net)	13 97 87 989	41 96 97 408
Net profit u/s 349 for the purpose of Directors' Commission	1 70 36 75 462	1 81 35 45 681
Maximum remuneration permissible to whole-time Directors under the Act at 10%	17 03 67 546	18 13 54 568
Commission payable to non-whole time Directors at 1%	1 70 36 755	1 81 35 457

Schedules forming part of the accounts

The above computation excludes Rs 3 89 97 098 (Previous period Rs 65 22 74 068) of business restructuring expenses directly charged to Reconstruction Reserve in terms of the Court Order.However, even if these expenses are considered in the computation, the remuneration and commission charged in the accounts are within the permissible limits.

9. Managerial Remuneration under Section 198 of the Companies Act, 1956:

	2007-2008 Rs	2006-2007 Rs
Salary	94 04 946	3 01 35 024
Contribution to Provident Fund and other Funds (excluding gratuity)	16 55 327	30 41 378
Perquisites in cash or in kind	9 68 343	18 11 835
Commission to Non-Executive Directors	95 00 000	1 04 22 222
Total Managerial Remuneration	2 15 28 616	4 54 10 459

The above includes commission of Rs 5 00 000 payable to a Director which is subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The above excludes expenses in respect of managerial personnel Rs 57 06 907 (Previous period Rs 61 46 755) cross charged from Procter and Gamble Hygiene and Healthcare Ltd in terms of the common services agreement referred to in note 6 above.

10. Employee Benefits:

The Accounting Standard -15 'Employee Benefits' as notified by Companies (Accounting Standards) Rules, 2006 has been adopted by the Company effective from July 1, 2007.

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

I. Defined Contribution Plans

a. Superannuation Fund

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

During the year, the Company has recognized the following amounts in the Profit and Loss Account:

- Employer's Contribution to Superannuation Fund Rs. 1 46 70 920
- Employer's Contribution to Employees' State Insurance Rs. 56 044

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 or resignation in terms of the provisions of the Payment of Gratuity Act 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. Providend Fund (Funded Scheme): Provident Fund for all permanent employees is administered through a trust.The Provident Fund is administered by trustees of an independently constituted common trust recognised by the Income Tax authorities where two other group Companies are also participants. Periodic contributions to the Fund are charged to revenue. The Company has an obligation to make good the shortfall, if any, between the return from the investment of the trust and notified interest rate by the Government. 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 liability for post retirement medical scheme is based on an independent actuarial valuation.

Schedules forming part of the accounts

d. Compensated absences for Bhiwadi Plant employees(Non-funded Scheme): Eligible employees can carry forward and encash leave as per Company policy.

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

	Funded Scheme - Gratuity	Funded Scheme - Provident Fund	Non-Funded Scheme - Post Retirement Medical Benefit	Non-Funded Scheme - Leave Encashment for Bhiwadi Plant employees
	Rs.	Rs.	Rs.	Rs.
A) Changes in the Present Value of Obligation				
Present Value of Obligation as at July 1, 2007	7 39 46 000	17 00 17 557	23 63 000	56 03 660
Interest Cost	59 71 494	—	2 17 214	4 49 521
Current Service Cost	60 55 262	1 42 81 496	2 10 691	3 64 191
Service Contribution - Employee	—	2 47 51 743	—	—
Interest Cost - earned	—	1 26 07 727	—	—
Settlement Cost/(Credit)	—	—	—	—
Benefits Paid	(1 01 25 000)	(5 30 98 491)	—	(1 86 554)
Actuarial (gain)/loss on Obligations	84 02 000	—	36 095	(2 58 132)
Present Value of Obligation as at June 30, 2008	8 42 49 756	16 85 60 032	28 27 000	59 72 686
B) Changes in the Fair Value of Plan Assets				
(For Funded Scheme)				
Fair Value of Plan Assets as at July 1, 2007	2 90 93 381	17 00 17 557	—	—
Expected Actual Return on Plan Assets	30 27 631	1 26 07 727	—	—
Actuarial Gains and (Losses)	(35 66 143)	—	—	—
Contributions	3 19 78 000	3 90 33 239	—	—
Benefits Paid	(1 01 25 000)	(5 30 98 491)	—	—
Assets Distributed on Settlement	—	—	—	—
Fair Value of Plan Assets as at June 30, 2008	5 04 07 869	16 85 60 032	—	—
C) Amount recognized in the Balance Sheet				
Present Value of Obligation as at June 30, 2008	8 42 49 756	16 85 60 032	28 27 000	59 72 686
Fair Value of Plan Assets as at June 30, 2008	5 04 07 869	16 85 60 032	—	—
Liability/(Asset) recognized in the Balance Sheet	3 38 41 887	—	28 27 000	59 72 686
Included in provisions (Refer Schedule 11)				
D) Expenses recognized in the Profit and Loss Account				
Current Service Cost	60 55 262	1 42 81 496	2 10 691	3 64 191
Past Service Cost	—	—	—	—
Interest Cost	59 71 494	1 26 07 727	2 17 214	4 49 521
Expected Return on Plan Assets	(30 27 631)	(1 26 07 727)	—	—
Curtailment cost/(credit)	—	—	—	—
Settlement cost/(credit)	—	—	—	—
Net actuarial (gain)/loss recognized	1 19 68 143	—	36 095	(2 58 132)
Total Expenses recognized in the Profit and Loss Account	2 09 67 267	1 42 81 496	4 64 000	5 55 580

E) Category of Plan Assets

The Company's Plan Assets in respect of Gratuity, alongwith two other group companies, are funded through the group scheme of the Life Insurance Corporation of India.

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

Public Sector Unit	34%
Government Of India Securities	51%
State Government Securities	15%

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.) Rs.
Effect of 1% increase (5%)	5 53 621	35 56 015
Effect of 1% decrease (3%)	3 35 242	22 77 545

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	Non-Funded Scheme - Leave Encashment for Bhiwadi Plant employees
Discount rate (per annum)	8.70%	8.70%	8.70%	8.00%
Average Salary increase rate	8.00%	8.00%	8.00%	8.00%
Rate of Return on Plan Assets (For funded scheme)	8.00%	8.50%	N/A	N/A
Medical Inflation Rate	N/A	N/A	4.00%	N/A
Expected Retirement age of employees (years)	60	60	60	58

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

Age		**Withdrawal Rate (%)**		
Upto 30 years	N/A	N/A	N/A	3%
Upto 44 years	N/A	N/A	N/A	2%
Above 44 years	N/A	N/A	N/A	1%
Upto 45 years	5%	N/A	5%	N/A
Above 45 years	3%	N/A	3%	N/A

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.

The Company's Provident Fund is administered by Company's own Trust Fund. 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.

This being the first year of implementation of AS - 15 , previous period figures have not been given. Further the amounts of the present value of 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 has not been furnished.

11. (a) Sales:

Class of Goods	**Units**	**2007-2008** Quantity*	**2007-2008** Value (Rs)	2006-2007 Quantity*	2006-2007 Value (Rs)
Shaving system and cartridges	Millions	209.00	2 16 26 47 824	184.48	3 40 87 43 934
Safety razor blades	Millions	758.18	1 78 80 60 150	1015.08	1 63 59 44 133
Tooth brushes	Millions	96.58	1 06 87 92 896	89.24	96 19 17 314
Batteries	Millions	23.25	32 25 15 305	18.76	38 13 02 985
Toiletries	Millions	11.48	60 40 56 153	13.92	70 16 82 617
Oral care products	Millions	0.85	3 63 48 241	2.05	7 83 33 649
Shaving brushes	Millions	1.11	5 49 97 231	1.36	6 18 40 810
Components			2 08 51 060		1 81 80 517
			6 05 82 68 860		7 24 79 45 959

* includes items given as samples / gifts and shortages / damages

Schedules forming part of the accounts

(b) Purchase of finished goods

	Units	2007-2008 Quantity	2007-2008 Value (Rs)	2006-2007 Quantity	2006-2007 Value (Rs)
Tooth brushes	Millions	91.18	49 72 46 532	88.05	67 07 64 358
Toiletries	Millions	11.13	18 87 59 240	10.75	19 00 89 333
Oral care products	Millions	0.98	3 53 56 339	2.32	4 09 39 042
Shaving brushes	Millions	1.07	2 20 73 432	1.23	3 02 26 014
Less : Consumption of free issues / inventories written off			(1 90 26 447)		(1 51 51 790)
			72 44 09 096		91 68 66 957

(c) Opening and closing stock of Finished Goods

	Units		Opening Quantity	Opening Value Rs.	Closing Quantity	Closing Value Rs.
Shaving system and cartridges	Millions	2007-2008	25.76	25 08 64 073	17.73	21 94 24 021
		2006-2007	12.69	8 11 74 568	25.76	25 08 64 073
Safety razor blades	Millions	2007-2008	77.91	7 17 11 957	103.91	9 54 01 573
		2006-2007	69.89	5 79 58 239	77.91	7 17 11 957
Tooth brushes	Millions	2007-2008	13.90	9 61 58 060	13.78	11 52 43 240
		2006-2007	8.29	3 84 44 007	13.90	9 61 58 060
Batteries	Millions	2007-2008	8.93	9 61 43 284	1.96	4 31 06 933
		2006-2007	2.07	1 97 32 407	8.93	9 61 43 284
Toiletries	Millions	2007-2008	2.20	10 81 66 629	1.85	9 27 15 054
		2006-2007	1.54	3 81 92 945	2.20	10 81 66 629
Oral care products	Millions	2007-2008	0.65	2 30 07 394	0.78	3 10 24 072
		2006-2007	0.38	80 26 751	0.65	2 30 07 394
Shaving brushes	Millions	2007-2008	0.20	31 79 125	0.16	28 86 281
		2006-2007	0.33	42 41 932	0.20	31 79 125
		2007-2008		64 92 30 522		59 98 01 174
		2006-2007		24 77 70 849		64 92 30 522

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

Particulars of goods manufactured	Units of Measurement	Licensed capacity 2007-08	Licensed capacity 2006-07	Installed capacity 2007-08	Installed capacity 2006-07	Actual production 2007-08 (12 months)	Actual production 2006-07 (18 months)
Razors and Cartridges							
Twin type shaving system and cartridges	Millions	N.A.	N.A.	234	234	201	98
Blades							
Safety razor blades	Millions	N.A.*	N.A.*	886	886	784	1023
Twin type shaving system and cartridges **	Millions	N.A.	N.A.	—	—	—	100
Tooth brushes **	Millions	N.A.	N.A.	—	—	5	7
Toiletries **	Millions	N.A.	N.A.	—	—	—	4
Batteries **	Millions	N.A.	N.A.	—	—	16	26

Installed capacities are as at June 30, 2008 and being a technical matter, are as certified by the management.

* These items have been de-licensed as per Government of India Notification No. S.O.477(E) dated July 25, 1991.

** Production through job work only.

Schedules forming part of the accounts

(e) Consumption of Raw materials and Packing materials (Excluding loss on write down of inventories)

	Units	2007-2008 Quantity	2007-2008 Value (Rs)	2006-2007 Quantity	2006-2007 Value (Rs)
Steel strips	M.T.	632	15 48 78 238	958	23 94 96 240
Shaving system and cartridges #	Millions	189	96 62 75 155	146	1 37 30 71 104
Shaving preparations #	Millions	—	—	4	23 77 59 637
Batteries #	Millions	16	17 26 15 211	22	14 20 12 639
Others			21 51 27 554		4 62 13 062
			1 50 88 96 158		2 03 85 52 682

Bulk raw materials

(f) Percentage of materials consumed

	2007-2008 Rs.	2007-2008 Percentage	2006-2007 Rs.	2006-2007 Percentage
a) Raw materials and consumables				
i) Imported	1 14 37 68 954	75.8	1 27 67 86 600	62.6
ii) Indigenous	36 51 27 204	24.2	76 17 66 082	37.4
	1 50 88 96 158	100.00	2 03 85 52 682	100.00
b) Stores and spare parts				
i) Imported	80 62 323	60.8	1 07 27 167	29.0
ii) Indigenous	52 02 953	39.2	2 62 17 572	71.0
	1 32 65 276	100.00	3 69 44 739	100.00

		2007-2008 Rs.	2006-2007 Rs.
(g) CIF value of imports			
i) Raw materials		98 88 76 202	73 06 29 633
ii) Stores and spare parts		3 14 14 596	3 15 60 380
iii) Capital goods		2 05 80 841	4 09 55 765
		1 04 08 71 639	80 31 45 778
(h) Expenditure in foreign currency			
i) Travel		33 21 656	1 11 65 432
ii) Business process outsourcing expenses		5 22 85 448	3 96 62 383
iii) Others		3 60 754	14 50 737
		5 59 67 858	5 22 78 552
(i) Remittance made on account of dividend in foreign currency			
i) Amount remitted	**(Rs.)**	10 81 68 660	28 72 99 350
ii) Number of non resident shareholders	**(nos.)**	28	30
iii) Number of shares held by them	**(nos.)**	1 44 22 488	1 44 24 098
iv) period to which the dividend relates		2007	2005 and 2006 (Interim)

	2007-2008 Rs.	2006-2007 Rs.
(j) Earnings in foreign exchange		
Exports of goods calculated on f.o.b. basis (excludes Rupee exports to Nepal and Bhutan Rs 3 71 56 854 (Previous period Rs 4 88 44 880))	15 60 49 898	25 15 10 305
Others (freight , insurance etc.)	17 70 052	50 42 238
	15 78 19 950	25 65 52 543

Schedules forming part of the accounts

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

(a) There were no amounts due and outstanding to suppliers as at the end of the accounting year and at the end of the previous period on account of Principal and Interest.

(b) No interest was paid during the year and in the previous period.

(c) No interest is payable at the end of the current accounting year and at the end of the previous period 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 accounting year and at the end of the previous period.

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.

13. Earnings per share (EPS):

	For the year ended June 30, 2008		For the period from January 1, 2006 to June 30, 2007	
	Rs.	Rs.	Rs.	Rs.
Basic and diluted earnings per share after exceptional items (Rs.)				
Profit After Taxation		1 17 37 06 835		1 42 35 83 236
Weighted average number of equity shares outstanding for Basic / Diluted EPS		3 25 85 217		3 25 85 217
Nominal value of equity per share		10		10
Basic / Diluted Earnings per share		36.02		43.69
Basic and diluted earnings per share before exceptional items (Rs.)				
Profit After Taxation		1 17 37 06 835		1 42 35 83 236
Less: Exceptional items - Income				
- Profit on sale of property	14 45 15 031		42 45 80 534	
- Tax on exceptional items	(4 19 57 233)	10 25 57 798	(14 43 14 924)	28 02 65 610
Profit after Taxation but before Exceptional items		1 07 11 49 037		1 14 33 17 626
Weighted average number of equity shares outstanding for Basic / Diluted EPS		3 25 85 217		3 25 85 217
Nominal value of equity per share		10		10
Basic / Diluted Earnings per share		32.87		35.09

14. There are no outstanding derivative instruments as at June 30, 2008.

Foreign currency exposures as on June 30, 2008 that have not been hedged by the company by a derivative instrument or otherwise are given below:

a. Amounts receivable in foreign currency on account of the following:

	Currency	As at June 30, 2008	Currency	As at June 30, 2007
Export of goods	Rs.	3 81 03 361	Rs.	5 33 88 485
	USD	9 57 821	USD	12 46 402
Reimbursable expenses receivable	Rs.	23 34 852	Rs.	31 28 809
	USD	54 604	USD	77 000

Schedules forming part of the accounts

	Currency	As at June 30, 2008	Currency	As at June 30, 2007
b. Amounts payable in foreign currency on account of the following:				
Import of goods and services	Rs.	49 59 69 154	Rs.	23 11 35 034
	USD	1 12 36 730	USD	55 02 644
	GBP	2 08 175	GBP	77 482
Reimbursable expenses payable	Rs.	1 90 66 206	Rs.	1 22 95 442
	USD	4 51 908	USD	2 99 860

15. Sundry debtors include amounts due from Companies under the same management as follows:

	As at June 30, 2008 Rs	As at June 30, 2007 Rs
The Gillette Company, USA	16 00 405	3 32 52 036
P&G Ceemea	1 55 14 628	1 10 45 892
Procter & Gamble International	91 52 509	—
Procter & Gamble Bangladesh Private Limited	83 98 363	29 92 840
Procter & Gamble Lanka Private Limited	34 37 455	60 97 717
	3 81 03 360	5 33 88 485

16. (a) Loans and advances include the following amounts due from Companies under the same management as follows:

	As at June 30, 2008 Rs.	Maximum Balance Rs.	As at June 30, 2007 Rs.	Maximum Balance Rs.
Procter & Gamble Distributing Co	14 96 960	14 96 960	—	—
Gillette Diversified Operations Private Limited - Loan A/C	15 80 00 000	15 80 00 000	15 80 00 000	20 00 00 000
Gillette Diversified Operations Private Limited - Others	11 92 808	20 67 808	2 350	11 16 838
Procter & Gamble Asia Pte Ltd	8 04 289	8 04 289	—	—
Gillette Management Inc.	—	—	—	4 61 174
Procter & Gamble Hygiene & Healthcare Limited	5 92 11 535	5 92 11 535	9 36 369	47 14 509
Procter & Gamble Home Products Limited - Loan A/C	1 74 50 00 000	1 84 00 00 000	—	—
Procter & Gamble Home Products Limited - Others	14 09 84 788	14 09 84 788	3 01 04 433	3 01 04 433
Procter & Gamble International	33 604	31 28 809	31 28 809	31 28 809
	2 10 67 23 984		19 21 71 961	

(b) Directors Loan:

Loans and advances include Housing Loans to the directors amounting to Rs. 34 42 565 (Previous period: Rs. 44 71 073).

The maximum balance outstanding during the year amounted to Rs. 44 71 073 (Previous period: Rs.1 11 21 353).

17. Related Party Disclosures:

The Group Companies of The Procter & Gamble Company, USA include, among others, Gillette Worldwide Holding LLC; Procter & Gamble India Holding BV; Procter & Gamble Iron Horse Holding BV; Procter & Gamble Eastern Europe LLC; Procter & Gamble Nordic LLC; Procter & Gamble Global Holding Limited; Procter & Gamble

Schedules forming part of the accounts

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.

Name of the companies with whom transactions have taken place:

a) **Ultimate holding company :** The Procter & Gamble Company, USA

b) **Fellow subsidiary companies :**

Gillette Diversified Operations Private Limited
Gillette Group India Private Limited
Gillette Products Private Limited.
Mining Consultants (India) Private Limited
Nexus Mercantile Private Limited.
Gillette UK Limited.
N. V. Duracell Batteries S.A.
Gillette Shanghai Limited.
Gillette Egypt S.A.E.
Braun GmbH
Gillette Lanka (Private) Limited
Gillette Bangladesh Private Limited.
Procter & Gamble Lanka (Private) Limited
Gillette Deutschland GmbH & Co. oHG.
Gillette Group South Africa (Pty) Ltd
Duracell (China) Ltd.
Gillette Poland SA
Gillette Management Inc.
Gillette Group International, SARL
P&G Ceemea
Procter & Gamble Home Products Limited
Procter & Gamble Hygiene & Healthcare Limited
Procter & Gamble International
Procter & Gamble Asia PTE Ltd.
The Gillette Company, USA

c) **Investing company in respect of which the Company is an associate:** Gillette Group India Private Limited (GGIPL) #

 # Also being a fellow subsidiary Company

d) **Key Management Personnel**

Mr. Shantanu Khosla — Managing Director
Mr. Subhash Bansal — Whole-time Executive Director

e) **Transactions**

(Amount in Rs.)

Nature of transactions		Holding Company & ultimate Holding Company	GGIPL	Fellow Subsidiary Companies	Key Management Personnel	Total
Sales & Income						
Goods						
- The Gillette Company, USA	**2007-2008**	—	—	**3 33 62 196**	—	**3 33 62 196**
- Procter & Gamble CEEMEA	**2007-2008**	—	—	**2 79 53 869**	—	**2 79 53 869**
- Procter & Gamble Bangladesh Pvt. Ltd	**2007-2008**	—	—	**4 70 94 504**	—	**4 70 94 504**
- Procter & Gamble International	**2007-2008**	—	—	**3 56 28 144**	—	**3 56 28 144**
- Procter & Gamble Lanka (Private) Limited	**2007-2008**	—	—	**1 81 41 273**	—	**1 81 41 273**
- Others	**2007-2008**	—	—	**7 56 090**	—	**7 56 090**
- The Gillette Company, USA	2006-2007	—	—	10 79 91 915	—	10 79 91 915
- Procter & Gamble CEEMEA	2006-2007	—	—	2 36 42 511	—	2 36 42 511
- Procter & Gamble Bangladesh Pvt. Ltd	2006-2007	—	—	3 37 60 420	—	3 37 60 420
- Others	2006-2007	—	—	4 94 97 663	—	4 94 97 663
Relocation and other reimbursements						
- Procter & Gamble Home Products Ltd	**2007-2008**	—	—	**8 77 64 368**	—	**8 77 64 368**
- Procter & Gamble Hygiene and Healthcare Ltd	**2007-2008**	—	—	**6 05 74 716**	—	**6 05 74 716**
- Others	**2007-2008**	—	—	**48 06 583**	—	**48 06 583**
- The Gillette Company, USA	2006-2007	—	—	98 55 978	—	98 55 978
- Procter & Gamble Home Products Ltd	2006-2007	—	—	26 55 704	—	26 55 704
- Procter & Gamble International Operations Pte Ltd	2006-2007	—	—	57 49 061	—	57 49 061
- Others	2006-2007	—	—	9 36 369	—	9 36 369
Retirals reimbursements						
- Procter & Gamble Distributing Co	**2007-2008**	—	—	**1 47 542**	—	**1 47 542**
- Procter & Gamble Asia Pte Ltd	**2007-2008**	—	—	**1 69 205**	—	**1 69 205**
- Others	**2007-2008**	—	**52 842**	**36 902**	—	**89 744**
- The Gillette Company, USA	2006-2007	—	—	7 93 119	—	7 93 119
- Gillette Diversified Operations Pvt. Ltd.	2006-2007	—	—	11 19 188	—	11 19 188
- Others	2006-2007	—	33 32 966	—	—	33 32 966

Schedules forming part of the accounts

(Amount in Rs.)

Nature of transactions		Holding Company & ultimate Holding Company	GGIPL	Fellow Subsidiary Companies	Key Management Personnel	Total
Reimbursement of Expenses shared by Group Companies						
- Procter & Gamble Hygiene and Healthcare Ltd	2007-2008	—	—	1 76 21 456	—	1 76 21 456
- Procter & Gamble Home Products Ltd	2007-2008	—	—	2 48 38 469	—	2 48 38 469
- Procter & Gamble Home Products Ltd	2006-2007	—	—	2 99 51 323	—	2 99 51 323
- Gillette Diversified Operations Pvt. Ltd.	2006-2007	—	—	6 00 000	—	6 00 000
Interest income						
- Procter & Gamble Home Products Ltd	2007-2008	—	—	10 13 50 616	—	10 13 50 616
- Gillette Diversified Operations Pvt. Ltd.	2007-2008	—	—	93 13 699	—	93 13 699
- Others	2007-2008	—	—	—	1 60 123	1 60 123
- Gillette Diversified Operations Pvt. Ltd.	2006-2007	—	—	48 12 194	—	48 12 194
- Others	2006-2007	—	—	—	3 82 768	3 82 768
Loans Given						
- Procter & Gamble Home Products Ltd	2007-2008	—	—	1 84 00 00 000	—	1 84 00 00 000
- Gillette Diversified Operations Pvt. Ltd.	2006-2007	—	—	35 80 00 000	—	35 80 00 000
Loans Repaid						
- Procter & Gamble Home Products Ltd	2007-2008	—	—	9 50 00 000	—	9 50 00 000
- Others	2007-2008	—	—	—	10 28 508	10 28 508
- Gillette Diversified Operations Pvt. Ltd.	2006-2007	—	—	22 50 00 000	—	22 50 00 000
- Others	2006-2007	—	—	—	66 50 280	66 50 280
Purchases & Expenses						
Goods						
- The Gillette Company, USA	2007-2008	—	—	97 12 59 845	—	97 12 59 845
- Others	2007-2008	—	—	71 56 431	—	71 56 431
- The Gillette Company, USA	2006-2007	—	—	1 12 07 51 268	—	1 12 07 51 268
- Others	2006-2007	—	—	3 04 15 075	—	3 04 15 075
Assets/Spares						
- The Gillette Company, USA	2007-2008	—	—	1 60 90 837	—	1 60 90 837
- Gillette UK Ltd	2007-2008	—	—	2 53 16 747	—	2 53 16 747
- The Gillette Company, USA	2006-2007	—	—	2 95 29 627	—	2 95 29 627
- Gillette UK Ltd	2006-2007	—	—	51 46 289	—	51 46 289
- Others	2006-2007	—	46 467	—	—	46 467
Reimbursement of Expenses shared by Group Companies						
- Procter & Gamble Hygiene and Healthcare Ltd	2007-2008	—	—	11 80 55 188	—	11 80 55 188
- Procter & Gamble Home Products Ltd	2007-2008	—	—	7 11 88 059	—	7 11 88 059
- Procter & Gamble Hygiene and Healthcare Ltd	2006-2007	—	—	3 65 87 343	—	3 65 87 343
Business Process Outsourcing expenses						
- Procter & Gamble Asia Pte Ltd	2007-2008	—	—	5 22 85 448	—	5 22 85 448
- Procter & Gamble Asia Pte Ltd	2006-2007	—	—	3 96 62 383	—	3 96 62 383
Relocation and other reimbursements						
- Procter & Gamble Hygiene and Healthcare Ltd	2007-2008	—	—	19 03 07 032	—	19 03 07 032
- Procter & Gamble Home Products Ltd	2007-2008	—	—	25 33 63 559	—	25 33 63 559
- Others	2007-2008	—	79 47 836	21 97 187	—	1 01 45 023
- Procter & Gamble Hygiene and Healthcare Ltd	2006-2007	—	—	17 04 42 053	—	17 04 42 053
- Procter & Gamble Home Products Ltd	2006-2007	—	—	2 98 92 832	—	2 98 92 832
- Others	2006-2007	—	—	39 061	—	39 061
Remuneration (Refer Note B9 of schedule 17)	2007-2008	—	—	—	2 15 28 616	2 15 28 616
	2006-2007	—	—	—	4 54 10 459	4 54 10 459
Dividend Remitted/Paid	2007-2008	10 02 50 565	4 97 04 405	3 55 25 880	—	18 54 80 850
	2006-2007	26 73 34 840	13 25 45 080	9 47 38 680	—	49 46 18 600

Schedules forming part of the accounts

f) **Outstandings**

(Amount in Rs.)

Nature of transactions		Holding Company & ultimate Holding Company	GGIPL	Fellow Subsidiary Companies	Key Management Personnel	Total
Payable	as on					
- The Gillette Company, USA	30.06.2008	—	—	47 91 74 769	—	47 91 74 769
- Procter & Gamble Hygiene and Healthcare Ltd	30.06.2008	—	—	9 59 34 903	—	9 59 34 903
- Procter & Gamble Home Products Ltd	30.06.2008	—	—	8 62 51 862	—	8 62 51 862
- Others	30.06.2008	—	—	3 55 50 419	—	3 55 50 419
- The Gillette Company, USA	30.06.2007	—	—	22 47 64 410	—	22 47 64 410
- Procter & Gamble Hygiene and Healthcare Ltd	30.06.2007	—	—	7 41 71 701	—	7 41 71 701
- Others	30.06.2007	—	—	4 01 52 674	—	4 01 52 674
Receivables/Advances						
- Procter & Gamble Home Products Ltd	30.06.2008	—	—	14 09 84 788	—	14 09 84 788
- Procter & Gamble Hygiene and Healthcare Ltd	30.06.2008	—	—	5 92 11 535	—	5 92 11 535
- Procter & Gamble CEEMEA	30.06.2008	—	—	1 55 14 628	—	1 55 14 628
- Procter & Gamble Bangladesh Pvt. Ltd	30.06.2008	—	—	83 98 363	—	83 98 363
- Procter & Gamble International Operations Pte Ltd	30.06.2008	—	—	91 52 509	—	91 52 509
- Others	30.06.2008	—	—	85 65 521	—	85 65 521
- The Gillette Company, USA	30.06.2007	—	—	3 32 52 036	—	3 32 52 036
- Procter & Gamble CEEMEA	30.06.2007	—	—	1 10 45 892	—	1 10 45 892
- Procter & Gamble Home Products Ltd	30.06.2007	—	—	3 01 04 433	—	3 01 04 433
- Others	30.06.2007	—	—	1 31 58 085	—	1 31 58 085
Loans						
- Procter & Gamble Home Products Ltd	30.06.2008	—	—	1 74 50 00 000	—	1 74 50 00 000
- Gillette Diversified Operations Pvt. Ltd.	30.06.2008	—	—	15 80 00 000	—	15 80 00 000
- Others	30.06.2008	—	—	—	34 42 565	34 42 565
- Gillette Diversified Operations Pvt. Ltd.	30.06.2007	—	—	15 80 00 000	—	15 80 00 000
- Others	30.06.2007	—	—	—	44 71 073	44 71 073

18. Global Employee Stock Ownership Plan (Stocks of the Parent Company):

The Gillette Company, USA (TGC) had a “Global Employee Stock Ownership Plan” (employee share purchase plan) whereby all permanent employees of the Company had been given a right to purchase shares of TGC.

Every employee who opted for the scheme contributed up to a specified percentage (upto 10%) of his gross salary towards purchase of shares on a monthly basis. The Company contributes 50% of employee’s contribution (restricted to 1% of gross salary). Such contribution is charged to staff cost.

Subsequent to the worldwide merger of Aquarium Acquisition Corporation (wholly owned subsidiary of the Procter & Gamble Company, USA) with TGC on October 1, 2005, the shares of TGC got delisted from the Securities Exchange Commission and the share purchase plan has been adopted by the Procter & Gamble Company, USA.

The shares of TGC (till 30 September 2005) / 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 July 1, 2007 to June 30, 2008, 1999.77 shares (Previous period January 1, 2006 to June 30, 2007 1842.05 shares) were purchased by employees at weighted average fair value of Rs 2722 (Previous period Rs 2687) per share.

The Company’s contribution during the period on such purchase of shares amounting to Rs 7 76 140 (Previous period Rs 6 94 177) has been charged to the Profit and Loss Account.

19. Employees Stock Options Plan (Stocks of the Parent Company):

The Gillette Company, USA (TGC) had an Employees Stock Options Scheme whereby employees of the Company covered by the plan were granted an option to purchase shares of the Parent Company i.e. The Gillette Company, USA at a fixed price (grant price) for a fixed period of time.

Subsequent to the worldwide merger of Aquarium Acquisition Corporation (wholly owned subsidiary of the Procter & Gamble Company, USA) with The Gillette Company, USA on October 1, 2005, the shares of The Gillette Company got delisted from the Securities Exchange Commission.

Schedules forming part of the accounts

Upon this change in control the 2005 Gillette Option award got automatically converted into P&G options at the established conversion ratio of 0.975 shares in the Procter and Gamble Company, USA for every share held in the Gillette Company.

The shares of the Gillette Company (till September 30, 2005) / The Procter & Gamble Company, USA were/are listed with Securities Exchange Commission of USA. The options were issued to Key Employees of the Company with 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 period. The Grants issued are vested after 3 years and have a 10 years life cycle.

Fair Value and Exercise Price of shares at Grant dates:

	Amount in US Dollar		Amount in US Dollar
14-Sep-07	**67.81**	28-Feb-06	60.50
29-Feb-08	**66.18**	28-Feb-07	63.49

The other disclosures in respect of the plans are:

		Shares arising out of option		Amount in US Dollar		Remaining contractual life (Years)	
		2007-2008	2006-2007	**2007-2008**	2006-2007	**2007-2008**	2006-2007
Outstanding at the beginning of the period		**53 996**	45 731	**61.19**	53.29	**8.30**	8.00
Granted during the year/period							
	14-Sep-07	**987**	—	**67.81**	—	**10.00**	—
	29-Feb-08	**6 158**	—	**66.18**	—	**10.00**	—
	28-Feb-06	**—**	20 106	**—**	60.50	**—**	9.00
	28-Feb-07	**—**	2 892	**—**	63.49	**—**	10.00
Forfeited during the year/period		**975**	12 166	**—**	—	**—**	—
Transferred during the year/period		**—**	—	**—**	—	**—**	—
Exercised during the year/period		**2 633**	2 567	**72.09**	62.83	**—**	—
Expired during the period		**—**	—	**—**	—	**—**	—
Outstanding at the end of the year/period		**57 533**	53 996	**60.81**	61.19	**7.73**	8.30
Exercisable at the end of the year/period		**36 347**	25 611	**60.81**	61.19	**—**	—

20. Segment Information:

(a) Primary Segment Information (by Business Segments)

	2007-2008 Rs	2006-2007 Rs
Segment Revenue		
- Grooming	**4 46 11 15 851**	5 41 02 13 694
- Portable Power	**32 25 45 885**	37 99 16 198
- Oral Care	**1 10 47 64 219**	1 04 02 96 790
Total Segment Revenue	**5 88 84 25 955**	6 83 04 26 682
Segment Results (before interest and unallocated income/expense)		
- Grooming	**1 45 57 39 909**	1 80 35 37 258
- Portable Power	**7 24 54 189**	9 58 04 845
- Oral Care	**15 28 04 192**	18 60 05 050
Total Segment Results	**1 68 09 98 290**	2 08 53 47 153
Add/(Less) : Unallocated corporate non interest income/(expenses) (net of non interest income)	**(3 16 75 000)**	(9 99 74 439)
Operating Profit	**1 64 93 23 290**	1 98 53 72 714
Less : Unallocated Interest Expenses	**790**	31 376
Add : Unallocable Interest Income	**17 26 12 335**	17 43 87 898
Total Profit Before Tax	**1 82 19 34 835**	2 15 97 29 236

Schedules forming part of the accounts

	2007-2008 Rs	2006-2007 Rs
Segment Assets		
- Grooming	1 62 65 08 520	1 53 67 49 797
- Portable Power	7 24 97 089	10 30 50 139
- Oral Care	18 59 24 376	12 42 56 695
- Unallocated Corporate Assets	4 21 49 43 887	3 42 21 37 663
Total	6 09 98 73 872	5 18 61 94 294
Segment Liabilities		
- Grooming	20 56 36 192	15 75 71 287
- Portable Power	1 95 75 798	29 91 110
- Oral Care	5 70 30 326	2 39 58 654
- Unallocated Corporate Liabilities	1 56 35 31 057	1 40 57 44 048
Total	1 84 57 73 373	1 59 02 65 099
Capital Expenditure		
- Grooming	5 44 11 775	26 35 83 641
- Unallocated	—	34 65 971
Total	5 44 11 775	26 70 49 612
Depreciation		
- Grooming	12 96 17 856	18 19 19 414
- Unallocated	1 02 15 724	4 10 63 971
Total	13 98 33 580	22 29 83 385
Non-cash expenses other than depreciation		
- Grooming	2 78 59 977	1 51 51 790
- Portable Power	—	17 33 966
- Oral Care	1 72 92 267	49 42 764
- Unallocated	—	2 81 03 393
Total	4 51 52 244	4 99 31 913

(b) Secondary Segment Information (by Geographic Segments)

	Rs.	Rs.
Segment Revenue - net of excise		
- Within India	5 74 79 05 293	6 57 89 16 377
- Outside India	14 05 20 662	25 15 10 305
Total	5 88 84 25 955	6 83 04 26 682
Segment Assets		
- Within India	6 05 94 35 659	5 12 96 76 999
- Outside India	4 04 38 213	5 65 17 295
Total	6 09 98 73 872	5 18 61 94 294
Capital Expenditure		
- Within India	5 44 11 775	26 70 49 612
- Outside India	—	—
Total	5 44 11 775	26 70 49 612

Schedules forming part of the accounts

Notes on Segment Information:

1) Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17), taking into account the organisation structure as well as the differential risks and returns of these segments. Business segments have been considered as primary segments.

2) Segment Revenue, Results and Capital Employed figures include the respective amounts identifiable to each of the segments. Unallocable income/expenses include income/expenses incurred at a corporate level which relate to the company as a whole. Unallocable income/expenses mainly includes income from investment of surplus funds, gain/(loss) on sale of property and exchange gain/(loss).

3) Details of type of products included in each segment :

Grooming	Blades, Razors and Toiletries
Portable Power	Batteries
Oral Care	Tooth brushes and Oral Care products

4) Unallocable Corporate assets include Cash and Bank balances, Debtors and Loans and Advances

5) Unallocable Corporate liabilities include Creditors and Provisions

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

22. Previous period's figures have been rearranged / regrouped wherever necessary.

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

N. P. Sarda
Partner

Mumbai, August 30, 2008

For and on behalf of Board of Directors

S.K. Poddar
Chairman

S. Khosla
Managing Director

D. Doss
Finance Manager

D. Acharya
Company Secretary

Mumbai, August 29, 2008

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956 for the 12 months ended June 30, 2008

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details :

Registration No.	2890
State Code	017
Balance Sheet Date	June 30, 2008

II. Capital Raised during the Year (Rs.) Nil

III. Position of Mobilisation and Deployment of Funds

	Amount (In Rs. Thousands)
Total Liabilities	4 30 14 19
Total Assets	4 30 14 19
Sources of Funds :	
Paid-up Capital	32 58 52
Reserves & Surplus	3 92 82 48
Secured Loans	Nil
Unsecured Loans	Nil
Application of Funds :	
Net Fixed Assets	94 79 42
Investments	Nil
Net Current Assets	3 35 34 78
Misc. Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of Company

Turnover & other income	6 07 97 00
Total Expenditure	4 40 22 80
Profit Before Tax	1 82 19 35
Profit After Tax	1 17 37 07
Earning Per Share (Rs)	36.02
Dividend Rate	125%

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code No. (ITC Code)	82121001
Product Description	Shaving System
Item Code No. (ITC Code)	82122001
Product Description	Safety Razor Blades
Item Code No. (ITC Code)	96032100
Product Description	Toothbrushes

Gillette India Limited

SPA-65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar), Rajasthan-301 019

ATTENDANCE SLIP

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

I hereby record my presence at the Twenty-fourth ANNUAL GENERAL MEETING of the members of the Company at the registered office of the Company at SPA-65A, Bhiwadi Industrial Area, Bhiwadi (Dist. Alwar), Rajasthan 301 019 on Wednesday, October 22, 2008 at 11.00 a.m.

Name of the attending Member ....
(in Block Letters)

Member's Folio Number ....

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

No. of Shares held ....

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

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

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

Gillette India Limited

SPA-65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar), Rajasthan-301 019

PROXY FORM

Folio No. ....

I / We..of..

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

of **GILLETTE INDIA LIMITED** hereby appoint ....

of.. in the district of ....

or failing him..as my/our proxy to attend and vote for me/us, on my/our behalf at the Twenty-fourth ANNUAL GENERAL MEETING of the members of the Company to be held on Wednesday, October 22, 2008 at 11.00 a.m. at the registered office of the Company at SPA- 65A, Bhiwadi Industrial Area, Bhiwadi (Distt. Alwar), Rajasthan 301 019 and at any adjournment thereof.

Signed this .... day of ...., 2008.

Signature(s) .... 0.15 p Revenue Stamp ....

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

Sustainability & Innovation

Improving quality of life, now and for generations to come

TM

At P&G, sustainability is embedded into both our business strategy and our holistic view of innovation.

By incorporating sustainability into the rhythm of our work, we delight consumers who want to make sustainable choices but do not want to make trade-offs in performance or value. We believe this is where P&G innovation can make the most meaningful difference.

By viewing innovation systemically through the lens of sustainability:

We define innovation broadly, looking for sustainability opportunities at every touch-point along the path of our products.

We invest in innovation to improve the environmental profile of our operations and products.

We manage innovation with discipline, using science-based, rigorous tools such as life cycle assessment (LCA).

We deliver innovation with a balance of sustainable improvements, seen and unseen.

We lead innovation by inspiring our employees to take more personal responsibility in delivering the Company's sustainability goals.

We invite you to learn more. Please visit www.pg.com/sustainability.

P&G

Gillette India Limited

Registered Office :
SPA-65A, Bhiwadi, Industrial Area, Bhiwadi (Distt. Alwar), Rajasthan - 301 019.

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

INFOMEDIA INDIA LIMITED