

MANAGEMENT DISCUSSION AND ANALYSIS REPORT, 2011

Review of Economic Scenario and impact of Union Budget 2011

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

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

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

The FMCG Sector and Indian consumers

India is one of the fastest growing markets in the world. According to some leading studies the total consumption in India is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. India ranks first in the Nielsen Global Consumer Confidence survey released in January 2011. As per leading studies more than 80 percent of

FMCG categories are growing faster in rural India as compared to urban India. Not only are most categories growing faster in rural markets than in urban, rural India's contribution to growth in these categories is significantly high. Rural India, mostly termed as "high opportunity" market, is no longer just an opportunity, but is now yielding results.

BUSINESS REVIEW:

PERSONAL GROOMING

Your Directors are of the view that the personal grooming sector represents a sizable business opportunity for your Company. According to market research data, the Blades and Razors market alone is estimated at over ₹1400 crores, and about 5.5 billion units in size.

ORAL CARE

Manual toothbrushes continue to dominate the Oral Care market in India. According to market research data, the toothbrush market is estimated at over ₹1200 crores and growing at a rate of 10% per year.

PORTABLE POWER

The growing usage in the high and mid-drain devices like toys and cameras and increased purchasing power in India indicate a huge potential in the coming years for alkaline batteries and thus for *Duracell*.

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 endeavors in this direction and will continue to address and overcome these issues.

Risk Management

Business, Finance & Operational risks

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

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

Regulatory and Compliance risks

Your Company operates within the letter and spirit of all applicable laws. General compliance with legal requirements is an important component of the *Worldwide Business Conduct*

Manual and the same directs the following action from every employee:

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

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

Security Risks

Your Company has installed comprehensive security programs to protect employees and assets at all its offices and plants. Security measures are overseen by a specially designated Global Security Manager – South Asia and a reputed security agency has been appointed to guard our premises, through screening all visitors and items received inwards. There is also a system for continuous monitoring of security alerts across the country. Training is regularly given to all security guards who are on duty 24x7. Evacuation drills are conducted twice a year. A global policy is in place to issue travel advisories to all employees in case there is any adverse situation at any place in the world. If the situation warrants, 'travel bans' are imposed. During the year under review no breaches or major accidents occurred at any of the Company's Plants. Your Company has installed the best of the security measures and processes to protect its personnel and assets.

HR Initiatives

The Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations and therefore the human resources management has assumed vital importance in your Company. Your Company focuses on attracting, motivating and retaining the best talent. Its people systems like recruiting, training, performance management

and talent development are robust and competitive. As we have been growing we are putting in place new HR programs to ensure that the organization is geared up to deliver the future.

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

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

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

Employee and trade relations related developments are covered in the Directors’ Report. The number of employees as on June 30, 2011 was 683.

Internal Controls & their adequacy

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

Further, your Company reinforces responsibilities of all our employees, including key employees, of observing high standards of Corporate Governance through the Company's *"Worldwide Business Conduct Manual,"* which sets forth Management's commitment to conduct its business affairs with high ethical standards. This Manual flows from our PVP which is the umbrella for our critical policy areas, which in turn create specific guidelines and standards. This Manual enables the

Company's employees to make easier connections to relevant policies and the tools that support them. This manual describes the Company's *"Worldwide Business Conduct Standards"*. These standards flow from the following core values of the Company:

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

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

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

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.

The composition and other details of the Board of Directors during the year ended June 30, 2011 are given below:

| Name of the Director | Category | Designation | Other Directorships # | | Membership of other Board Committees ## | |
|----------------------|----------|---------------------|-----------------------|----------|---|----------|
| | | | Member | Chairman | Member | Chairman |
| Mr. S. K. Poddar | NED | Chairman | 10 | 6 | 2 | 2 |
| Mr. Shantanu Khosla | ED | Managing Director | 2 | 1 | 2 | 1 |
| Mr. B. S. Mehta | ID | Director | 14 | None | 9 | 5 |
| Mr. C. R. Dua | ID | Director | 6 | None | 3 | 1 |
| Mr. Gurcharan Das | ID | Director | 3 | None | None | None |
| Mr. Akshay Poddar | NED | Director | 9 | None | 6 | 2 |
| Ms. Deborah Henretta | NED | Director | 1 | None | None | None |
| Mr. Jyoti Sagar | ID | Director | None | None | None | None |
| Mr. Anil Kumar Gupta | ID | Director | None | None | None | None |
| Mr. Subhash Bansal* | ED | Whole-time Director | None | None | None | None |

NED – Non-Executive Director

ED – Executive Director

ID – Independent Director

* Mr. Subhash Bansal ceased to be a Director consequent to his retirement (superannuation) with effect from May 31, 2011.

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 2010-11, four (4) Board Meetings were held on August 18, 2010, October 29, 2010, January 28, 2011 and April 25, 2011 respectively. The Annual General Meeting for Financial Year ended June 30, 2010 was held on November 18, 2010.

(c) Directors' attendance record:

The attendance of Directors at the Board Meetings and at the last Annual General Meeting held on November 18, 2010 was as under:

| Name of Director | No. of Board Meetings attended | Whether attended the AGM held on November 18, 2010 |
|----------------------|--------------------------------|--|
| Mr. S. K. Poddar | 3 | Yes |
| Mr. Shantanu Khosla | 4 | Yes |
| Mr. B. S. Mehta | 3 | Yes |
| Mr. C. R. Dua | 2 | Yes |
| Mr. Gurcharan Das | 2 | No |
| Mr. Akshay Poddar | 3 | No |
| Ms. Deborah Henretta | NIL | No |
| Mr. Jyoti Sagar | 3 | No |
| Mr. Anil Kumar Gupta | 4 | Yes |
| Mr. Subhash Bansal* | 3 | Yes |

* Mr. Subhash Bansal ceased to be a Director consequent to his retirement (superannuation) with effect from May 31, 2011.

(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-14 of Schedule 17 forming part of the Financial Statements.

(e) Remuneration of Directors:

In terms of the resolution passed at the 24th Annual General Meeting of the Members of the Company held on October 22, 2008, all the Non-Executive Directors are entitled to commission upto one per cent of the Net Profits of the Company for each Financial Year.

The remuneration of Whole-time Director comprises salary, house rent allowance, perquisites, performance linked incentive, 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 2010-11 are as under:

| Name of Director | Relationship with other directors | Salary including Bonus + PF contribution | Perquisites | Commission | Amount in ₹ | |
|----------------------|-----------------------------------|--|-------------|------------|-------------|------------|
| | | | | | | Total |
| Mr. S. K. Poddar | Father of Mr. Akshay Poddar | Nil | Nil | 10,000,000 | | 10,000,000 |
| Mr. Shantanu Khosla | None | Nil** | Nil** | Nil | | Nil |
| Mr. C. R. Dua | None | Nil | Nil | 1,000,000 | | 1,000,000 |
| Mr. B. S. Mehta | None | Nil | Nil | 1,000,000 | | 1,000,000 |
| Mr. Gurcharan Das | None | Nil | Nil | 1,000,000 | | 1,000,000 |
| Mr. Akshay Poddar | Son of Mr. S. K. Poddar | Nil | Nil | 1,000,000 | | 1,000,000 |
| Ms. Deborah Henretta | None | Nil | Nil | Nil | | Nil |
| Mr. Jyoti Sagar | None | Nil | Nil | 1,000,000 | | 1,000,000 |
| Mr. Anil Kumar Gupta | None | Nil | Nil | 1,000,000 | | 1,000,000 |
| Mr. Subhash Bansal* | None | 10,141,022# | 243,714 | Nil | | 10,384,736 |

* Mr. Subhash Bansal ceased to be a Director consequent to his retirement (superannuation) with effect from May 31, 2011.

** Remuneration charged to the accounts in respect of the Managing Director ₹12,318,995/-.

Includes Performance Incentive (short term achievement reward) of ₹875,599/-.

NOTE - No sitting fee are payable to any Director.

At the 24th Annual General Meeting held on October 22, 2008, a Special Resolution had been passed according approval for payment of commission upto 1% of the net profits per annum (maximum permissible by the Companies Act, 1956) in the aggregate to the Non- Executive Directors of the Company. The said resolution had also empowered the Board of Directors and / or a Committee thereof to fix the quantum of Commission payable to each of the Non-Executive Directors and to also determine the period for which the said commission is payable. The said Special Resolution is effective for a period of five years w.e.f. January 1, 2008. Accordingly the Board of Directors had at their meeting held on October 29, 2010 accorded approval for payment of Commission to the Non-Executive Directors in respect of the Financial Year. As per the past practice, the said amounts of commission have already been paid to the Non-Executive Directors on June 30, 2011.

However, on the finalization and audit of the Annual Financial Statements of the Company for

the Financial Year ended June 30, 2011, it has emanated that the aggregate of the amount of the said Commission (₹16,000,000/-) paid to the Non-Executive Directors exceeds the maximum payable amount of ₹13,859,035/- by ₹2,140,965/-. In terms of the provisions of section 309 and other applicable provisions of the Companies Act, 1956 waiver of recovery of this excess amount needs prior approval from the Central Government. The Company proposes to apply to the Central Government for the said purpose and hence Board has recommended passing of the Special Resolution in the ensuing 27th Annual General Meeting. Till the date of receipt of the final approval from the Central Govt. the said excess amounts of commission shall be held in trust by the Non-Executive Directors. (Refer Note B5 of Schedule 17 forming part of the Financial Statements).

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 appointment. 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 ultimate holding 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 ultimate holding Company under its ‘Employee Stock Option Plan’. Details as regards the same are disclosed vide note nos. B-15 and B-16 of Schedule 17 forming part of the Financial Statements.

Number of Shares held by Non-Executive Directors:

| Name | No. of Shares |
|---|---------------|
| Mr. S. K. Poddar (included in the Promoter Group) | 3,23,480 |
| Mr. Akshay Poddar (included in the Promoter Group) | 76,923 |

(f) Committees of the Board:

(i) Audit Committee

The Audit Committee comprises of Mr. C. R. Dua (Chairman), Mr. S. K. Poddar, Mr. B. S. Mehta, Mr. J. Sagar, Mr. G. Das and Mr. A. K. Gupta. During the Financial Year 2010-11, Four Audit Committee meetings were held on August 18, 2010, October 29, 2010, January 28, 2011 and April 25, 2011 respectively.

Mr. D. Acharya is the Secretary of the Audit Committee.

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 | 2 |
| Mr. S. K. Poddar | Member | Non-Executive Director | Business | 3 |
| Mr. B. S. Mehta | Member | Independent Director | Chartered Accountant | 3 |
| Mr. Jyoti Sagar | Member | Independent Director | Advocate | 3 |
| Mr. Gurcharan Das | Member | Independent Director | Management Consultant | 2 |
| Mr. A. K. Gupta | Member | Independent Director | Consultant | 4 |

All the members have extensive financial background and accounting knowledge. 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 term 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;
- (i) 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;
- (j) Considering such other matters as may be required by the Board;
- (k) 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, being an Independent Director.

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

No meeting of this Committee was held during the Financial Year.

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

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

* *Mr. Subhash Bansal ceased to be a Member of the Committee consequent to his retirement (superannuation) as Director with effect from May 31, 2011.*

** *Mr. Anil K. Gupta has been inducted as a Member of Shareholders'/Investors' Grievance Committee at the Board Meeting held on August 26, 2011.*

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, 18 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 | 18 |
| Mr. Shantanu Khosla | 18 |
| Mr. Subhash Bansal* | 16 |
| Mr. Anil K Gupta** | — |

* *Mr. Subhash Bansal ceased to be a Director consequent to his retirement (superannuation) with effect from May 31, 2011, consequently ceased to be a Member of the Committee.*

** *Mr. Anil K. Gupta has been inducted as a Member of Shareholders' / Investors' Grievance Committee at the Board Meeting held on August 26, 2011.*

3. SHAREHOLDERS

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

At the forthcoming 27th Annual General Meeting, Mr. Akshay Poddar and Mr. Jyoti Sagar, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

Ms. Nayantara Bali was appointed as an Additional Director of the Company at the Board Meeting held on August 26, 2011. As an Additional Director she holds office upto the date of the 27th Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member proposing her candidature as a Director of the Company liable to retire by rotation along with a deposit of ₹500/-.

Brief resumes of the Directors are given hereunder:

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 known as Indian Shaving Products Limited – a joint venture with The Gillette Company, USA).

Mr. Poddar is a Chairman/Director of the following Public Limited Companies: Adventz Securities Enterprises Limited – Managing Director; Adventz Investments and Holdings Limited – Managing Director; Texmaco Limited; Syndak Teatech Limited; Gobind Sugar Mills Limited; Paradeep Phosphates Limited; Lionel Edwards Limited; Style Spa Furniture Limited and New Eros Tradecom Limited.

Mr. Poddar is a Director of the following Private Companies in India: Poddar Heritage Finance Private Limited; Abhishek Holdings Private Limited; Academiam Sales Private Limited; Fulford Vinimay Private Limited; Greenland Trading Private Limited and Indrakshi Trading Company Private Limited.

Mr. Poddar is also a Director in the following Companies Outside India: Planon Group Ltd.; Coltrane Corporation Ltd.; Globalware Holdings Ltd. and CFCL Technologies Ltd.

Mr. Poddar is also Chairman / Member of the Audit Committee of the following Companies: Gobind Sugar Mills Limited; Paradeep Phosphates Limited and Texmaco Limited. Mr. Poddar is also Chairman / Member of the Shareholders' / Investors' Grievance Committee of the following

Companies: Adventz Securities Enterprises Limited (Formerly known as Poddar Heritage Corp Limited); Adventz Investments and Holdings Limited (Formerly known as Poddar Heritage Investments Limited) and Texmaco 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 Government of India and Chambers of Commerce. In addition to his practice in the firm, Mr. Sagar is also a Senior Partner of K&S Partners, New Delhi, a firm specializing in Intellectual Property Laws. He is associated with a number of national and international professional bodies and organizations.

Mr. Sagar is not a Director of any of the Public Limited Companies.

Ms. Nayantara Bali, a Bachelor of Economics from Madras University and a Post Graduate Diploma holder in Management from Indian Institute of Management, Ahmadabad, is the Vice President, Asia Male Grooming of the P&G Group. She is conscientious for leading the Company's Growth with Asian men by leveraging iconic brands like Gillette, Old Spice, across shaving, and all male personal care needs.

Ms. Bali joined Procter & Gamble India in 1988. She has worked across multiple categories in Asia, including Feminine Care, Baby Care, Fabric Care, Personal Cleansing, Hair Care and most recently Male Grooming. Ms. Bali has also worked as Marketing function head for the region to develop core marketing capabilities. In 2002 Ms. Bali moved to Singapore as General Manager and has led the regional Baby & Feminine Care and Hair businesses. In July 2009, Ms. Bali moved to Male Grooming as head of the Asia region.

Ms. Bali is known as a Marketing expert and often is a judge or panelist on Asia marketing forums like Asia Media Effectiveness, Spikes, etc. She has a passion for developing Asian talent, especially

Asian women and actively mentors many people both within and outside P&G.

Ms. Bali is not a Director of any of the Public Limited as well as Private Limited Companies.

(b) Communication to shareholders:

- (i) The Quarterly results of the Company are announced within 45 days of completion of the Quarter, as prescribed under the Listing Agreement. Audited Annual Results are announced within 60 days of the end of Financial Year. Such results are published in the following newspapers:
Business Standard (English), Dainik Lokjivan, 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., <http://www.pg-india.com> into which the Company's results and official news releases are published.
- (iv) The Quarterly Financial Results and Shareholding Pattern are posted on Corp Filing website viz. <http://www.corpfiling.co.in/home/homePage.aspx>.
- (v) No presentations were made to analysts and institutional investors.
- (vi) Green Initiatives:- Your Company has taken requisite steps to ensure compliance with the Circular No. 17/2011 dated April 24, 2011 and Circular No. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs, propagating the Green Initiative. This initiative involves paperless compliances by serving documents on the members through the electronic mails (e-mails). Specific details of the steps taken by the Company in this regard are given in the notes to the Notice convening the 27th Annual General Meeting of the Company.
- (vii) The recorded version of the proceedings of the 27th Annual General Meeting would be webcast at the Company's website <http://www.pg-india.com>

(c) Disclosures:

(i) Materially significant related party transactions:

There are no material transactions during the Financial Year 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 Alertline 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:

The Company has complied with all mandatory requirements and the following non-mandatory requirements of Clause 49 of the Listing Agreement.

Compliance with Non Mandatory Requirements

- (a) (i) The Company has provided an office to the Chairman for his use, during his visits, at the 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 Financial Year under reference.
- (d) No specific training program was arranged for the Board Members.
- (e) The Board comprises of professionals with expertise in their respective fields. They endeavor 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.
- (f) The Company has not adopted any mechanism for evaluating individual performance of Non-Executive Directors.

- (g) The Company follows a Whistle Blower Policy as laid down in its “Worldwide Business Conduct Manual”.

(d) General Meetings of Members:

| AGM | DATE | TIME | VENUE | No. of special resolutions passed |
|------|------------|------------|--|-----------------------------------|
| 26th | 18.11.2010 | 11.00 a.m. | All the three Annual General Meetings were held at SPA-65A, Bhiwadi Industrial Area, Bhiwadi, Dist. Alwar, Rajasthan 301 019 | — |
| 25th | 27.10.2009 | 11.00 a.m. | | 1 |
| 24th | 22.10.2008 | 11.00 a.m. | | 2 |

Postal Ballot

No postal ballot was undertaken during the Financial Year.

(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. The Code of Conduct has been posted on the Company’s website at <http://www.pg-india.com>

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

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

4. GENERAL SHAREHOLDERS INFORMATION:

(i) Annual General Meeting

The Annual General Meeting will be held on Monday, October 31, 2011 at 11.00 a.m. at the Registered Office of the Company at SPA-65A, Bhiwadi Industrial Area, Bhiwadi (Dist. Alwar), Rajasthan – 301 019.

(ii) Financial Calendar

| | | |
|------------------------|---|--|
| Financial Year | : | July to June |
| Accounts Finalisation | : | August |
| Annual General Meeting | : | October – November |
| Dividend Dispatch | : | Within 30 days of Annual General Meeting. |
| Quarterly Results | : | Normally before the end of 45 days, except 4th quarter when Audited Annual Results are declared within 60 Days as permitted under the Listing Agreement. |

(iii) Book Closure Date

October 24, 2011 to October 31, 2011 (both days inclusive).

(iv) Dividend Payment Details

Final Dividend, if declared : Will be paid on or around November 7, 2011

(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 2010-11.*

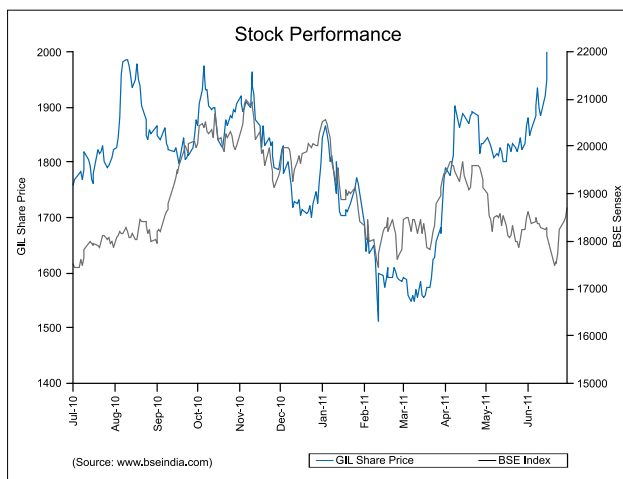
| MONTH | BSE | | NSE | |
|----------------|----------|----------|----------|----------|
| | High (₹) | Low (₹) | High (₹) | Low (₹) |
| July 2010 | 1,890.00 | 1,705.00 | 1,862.00 | 1,712.00 |
| August 2010 | 2,038.20 | 1,803.00 | 2,020.00 | 1,805.00 |
| September 2010 | 1,930.00 | 1,782.00 | 1,909.95 | 1,785.00 |
| October 2010 | 1,985.00 | 1,809.00 | 1,985.00 | 1,809.00 |
| November 2010 | 2,000.00 | 1,760.00 | 1,994.00 | 1,762.00 |
| December 2010 | 1,879.00 | 1,694.95 | 1,880.00 | 1,693.20 |
| January 2011 | 1,880.00 | 1,626.40 | 1,892.90 | 1,635.10 |
| February 2011 | 1,704.00 | 1,487.30 | 1,723.00 | 1,503.00 |
| March 2011 | 1,786.00 | 1,503.00 | 1,800.00 | 1,517.00 |
| April 2011 | 1,999.00 | 1,760.00 | 2,005.00 | 1,741.00 |
| May 2011 | 1,965.95 | 1,792.80 | 1,970.00 | 1,793.00 |
| June 2011 | 2,168.00 | 1,835.50 | 2,169.70 | 1,830.00 |

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

Note: High and Low are in Rupees (₹) per traded share.

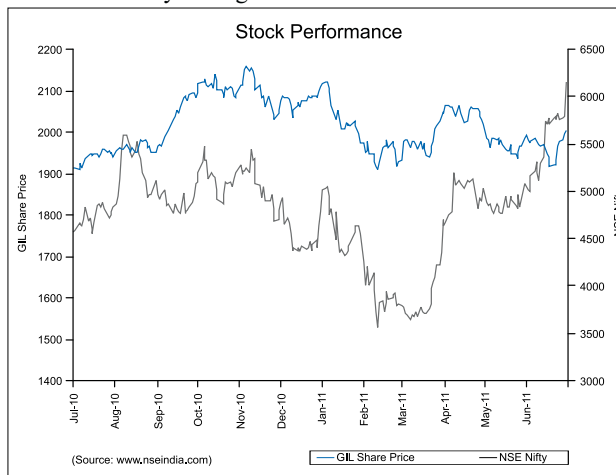
(viii) Performance in comparison to the BSE Sensex

The following chart shows the performance of the Company's shares as compared to the BSE Sensex during the Financial Year 2010-11:



Year –July 1, 2010 to June 30, 2011
(Source: www.bseindia.com)

The following chart shows the performance of the Company's share as compared to the NSE Nifty during the Financial Year 2010-11:



Year – July 1, 2010 to June 30, 2011
(Source: www.nseindia.com)

(ix) Registrar and Share Transfer Agents

MAS Services Limited
T-34, 2nd floor, Okhla Industrial Area
Phase II,
New Delhi – 110 020
Ph: 011-26387281-3 Fax: 011-26387384
E-Mail : info@masserv.com
Contact person: Mr. Sharwan Mangla

(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 ended June 30, 2011, the Company had received 43 shareholder complaints, which were resolved expeditiously. As on June 30, 2011, there are no complaints pending.

There is NIL share transfer pending as on June 30, 2011.

(xi) Distribution of shareholding by size class as on June 30, 2011

| No. of Shares held | No. of Shareholders | | No. of Shares | |
|--------------------|---------------------|-------------------|-------------------|--------------------|
| | Total | % of Shareholders | Total | % to Share Capital |
| 1 – 500 | 15,160 | 95.77 | 1,041,023 | 3.19 |
| 501 – 1000 | 333 | 2.10 | 248,452 | 0.76 |
| 1001 – 2000 | 153 | 0.97 | 217,754 | 0.67 |
| 2001 – 3000 | 55 | 0.35 | 137,277 | 0.42 |
| 3001 – 4000 | 20 | 0.13 | 70,496 | 0.22 |
| 4001 – 5000 | 26 | 0.16 | 122,173 | 0.37 |
| 5001 – 10000 | 28 | 0.18 | 216,857 | 0.67 |
| 10001 and above | 54 | 0.34 | 30,531,185 | 93.70 |
| Total | 15,829 | 100.00 | 32,585,217 | 100.00 |

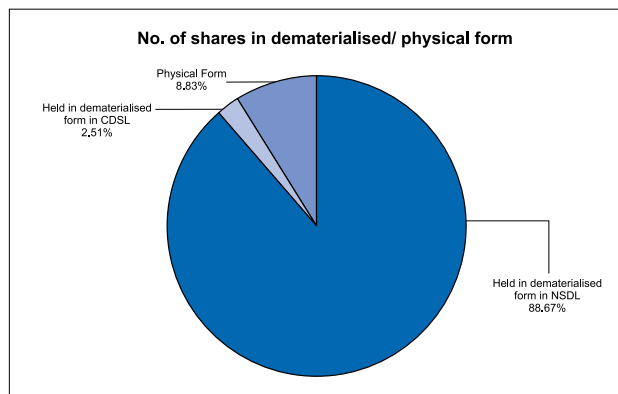
Distribution of shareholding by ownership as on June 30, 2011

| Category | Number of Shares held | % of Shares held |
|---------------------------------|-----------------------|------------------|
| Indian & Foreign Promoters | 28,922,849 | 88.76 |
| Resident Individuals and others | 2,027,609 | 6.22 |
| Mutual Funds & UTI | 328,679 | 1.01 |
| Financial Institutions / Banks | 1,500 | 0.01 |
| Foreign Institutional Investors | 263,410 | 0.81 |
| Private Corporate Bodies | 900,517 | 2.76 |
| NRIs | 140,653 | 0.43 |
| Directors and their Relatives | 0 | 0 |
| Total | 32,585,217 | 100.00 |

(xii) Dematerialization of shares and liquidity

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

| | No. of shares | % to total capital issued |
|-------------------------------------|-------------------|---------------------------|
| Held in dematerialized form in NSDL | 28,892,291 | 88.66 |
| Held in dematerialized form in CDSL | 817,096 | 2.51 |
| Physical | 2,875,830 | 8.83 |
| Total | 32,585,217 | 100.00 |

**(xiii) Shareholding of promoter/promoter group to be in dematerialized mode**

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

(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) Unclaimed / Unpaid Dividends

The amount of unclaimed dividends for and upto the Financial Year ended 2003 has been transferred to the Investor Education and Protection Fund established by the Central Government. Pursuant to Section 205C of the Companies Act, 1956, those members who have not 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, 2004 and subsequent years, which remain unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government on the dates mentioned in the table below. Members who have not encashed their dividend warrants for the said Financial

Years, 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.

| Dividend No. | Date of Declaration | For the year ended | Due for transfer to IEPF |
|--------------|---------------------|--------------------|--------------------------|
| 12 | 27.04.2005 | 31.12.2004 | 02.06.2012 |
| 13 | 29.04.2006 | 31.12.2005 | 04.06.2013 |
| 14 (Interim) | 27.02.2007 | 30.06.2007 | 04.04.2014 |
| 15 (Final) | 25.10.2007 | 30.06.2007 | 30.11.2014 |
| 16 | 22.10.2008 | 30.06.2008 | 28.11.2015 |
| 17 | 27.10.2009 | 30.06.2009 | 02.12.2016 |
| 18 | 18.11.2010 | 30.06.2010 | 24.12.2017 |

During the Financial Year 2010-11, unclaimed final dividend amount for the year ended December 31, 2003 of ₹ 6,36,726/- was transferred to the Investor Education and Protection Fund on June 15, 2011.

(xvi) Plant Locations

India Bhiwadi Manufacturing Centre
SPA – 65A, Bhiwadi Industrial Area,
Bhiwadi, (Dist. Alwar)
Rajasthan – 301 019

India Baddi Packing Centre

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

(xvii) Addresses

(i) For Correspondence:

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

(ii) Registered Office:

Gillette India Limited
SPA – 65A, Bhiwadi Industrial Area,
Bhiwadi, (Dist. 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 Financial Year ended June 30, 2011 and the Senior Management has complied with the Business Conduct Manual for the Financial Year ended June 30, 2011.

For **GILLETTE INDIA LIMITED**

Mumbai
August 26, 2011

S. Khosla
Managing Director

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 ("the Company") for the Financial Year ended June 30, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the

conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that:

Excess commission paid to the Non-Executive Directors amounting to ₹21.41 lakhs is subject to the approval of the Members at the ensuing 27th Annual General Meeting of the Company and the Central Government.

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

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

Mumbai,
August 26, 2011

K. A. Katki
Partner
Membership No. 038568