



P&G Procter & Gamble Hygiene and Health Care Limited.

Chairman's Speech 2006-07

Good afternoon Ladies and Gentlemen and a warm welcome to the 43rd AGM of Procter & Gamble Hygiene and Health Care Limited.

Review of Business Results

It gives me a great pleasure to tell you that your Company has yet again scaled new peaks in the fiscal year 2006/07 by consistently delivering good results via sustained innovations! Your Company's sales of its core businesses, Health Care and Feminine Hygiene for the year grew by 14% to Rs. 538.4 crores. Growth of 24% for the Feminine Hygiene business was strong for the fourth year in succession and Health Care business grew by 5% over a high growth base of 17% in the previous year.

The key driver for growth across both our businesses has been your Company's focus to meet the rapidly changing needs of the new, evolving Indian consumers. We have undertaken several initiatives in this direction - innovative and interactive marketing campaigns; exploration of newer media vehicles; stronger retail distribution; superior value propositions; more brand variants; expansion in manufacturing facilities; and greater social responsibility. This in turn has helped us to reach out to more consumers, penetrate deeper into both, rural and urban markets and thus, achieve long-term growth.

At this point, I would like to share that this year, both VICKS Action 500 and VICKS Vaporub achieved record sales and also reached their highest-ever market shares. In the latest Economic Times Brand Equity survey on India's Most Trusted Brands 2007, your Company's VICKS brand was ranked as No. 2. This is a true testimony to your Company's relentless pursuit to consistently deliver products that delight the consumers.

Your Company is not just about the products that we sell. We have a long

history of being in touch with the communities that we work in and we are committed to be a socially responsible citizen who touches and improves life in more ways than one.

The New Consumer Paradigm

There has been a complete reshaping of consumer attitudes in recent times. Technological advancements, instant connectivity, media explosion and global competition have meant that the consumer today is spoilt for choice. She knows what is out there not just in her local market but halfway across the globe and she has the power to access those choices today. At a click she can read reviews of thousands of other consumers like her, consult experts and find the best prices. Once we used to talk about information load and too much choice. Today the consumer has learnt to efficiently and effectively tune out information. She is discerning and demands the very best of everything.

This is a whole new consumer paradigm. And it is imperative that we engage with her on her own terms, if we are to win in the marketplace. Like someone wise once said, "the marketplace is the only place on earth that punishes people who don't speak its language".

I am happy to tell you that your Company has been consistently speaking with the consumer in her language and as we see her evolving, we are evolving too - in terms of how we can connect with her to create and sustain a relationship, how we can genuinely provide her with life solutions that delight her, how we can improve her life a little bit every single day. Here I would like to tell you a little about the cornerstones that allow us to do this.

Harnessing the power of Consumer Understanding to fuel Continuous Innovation

We believe in innovation that stems from what the consumer really wants and needs. And so we are constantly talking to her, trying to understand what moves her, what drives her, what's bothering her, what's making her happy. Innovation based on in-

depth research has been the cornerstone of all that we do, and it is this endeavor that has led your Company to delight consumers with newer offerings and exceed consumer expectations.

Teenage girls form a large and important part of our WHISPER brand's target audience. Recent research conducted showed that the top career choice of today's young teenager is TV journalism. Keeping this insight in mind and to reach out to our consumers, WHISPER for the first time, explored cross-brand collaborations for a reality show with WHISPER-PANTENE Khud Par Karo Yakeen Contest - India's Hunt for a Female TV News Anchor among girls between 18 - 23 years. This was a very successful attempt to further empower and fulfill the dreams of young Indian girls. The contest helped us inspire thousands of young girls across the country, to make their dream of being the voice of the nation a reality.

Research also showed that teenagers spend a significant part of their time on social networking communities, interactive websites, blogs and other forms of the internet. They seek information and knowledge, exchange ideas, share thoughts, concerns etc., among others. Tapping on this insight, WHISPER explored and leveraged the power of this most-sought after medium - the Internet, by launching www.beinggirll.co.in, an interactive online community for girls, to effectively reach out to them and help them engage with one another. The website gives young girls solutions to growing up concerns, addresses their fears, helps them to connect with likeminded people, learn and exchange thoughts. From the time of its launch, till date, the website www.beinggirll.co.in has been very well-received by the target audience!

Gearing up for the future - Building Capacity

If consumer expectations have grown in the past, it is only likely to multiply as we go forward. Your Company believes that as we put our plans in place to continue delighting the

consumers in years to come, we must build capacities that are economically efficient and allows us to offer the best value to our consumers. In this context, your Company has invested in expansion of the Sanitary Napkin production line at its existing Goa plant with an expenditure of Rs. 19 crores. Our two new Health Care manufacturing facilities in Baddi, Himachal Pradesh and expansion of WHISPER manufacturing capacities in Goa are in line with our overall business growth strategies. At Baddi we enjoy a two-fold advantage - tax incentives for being in Himachal Pradesh and aiding in development of industrial infrastructure of the Himalayan state!

Engaging the consumer at the right place, at the right time, and in the right way

In an attempt to give the best choices to the girls at the Point of Market Entry stage i.e. when they start menstruation, WHISPER has been running the WHISPER School Program for the past 10 years. Today this program annually reaches 3.2 million adolescent girls in 5200 schools. The primary objective of the program is to empower young girls via educating them about menstruation and the growing up process. This in turn has helped us build an emotional connect with our young consumers and build long-term loyalty. An idea of the impact that this program has had can be found in the words of the Principal of Father Joseph's English High School in Bhayander, Mumbai "We indeed appreciate the efforts made by your authority to bring the educational program especially designed for the girls. Girls' unknown fear has been removed through the demonstration and encouraged them to grow up in a healthy manner."

Delivering propositions that delight

Even as the way we live and work undergo transformation - thanks to sweeping technological changes, we find that consumers seek out the comfort of tradition and grandmother's advice. Paradoxically enough, to be contemporary is to address this need for familiar concepts handed down through generations. It is a way of staying rooted even as we embrace change.

VICKS is uniquely positioned to offer propositions that meet this need. It is

one of the most trusted brands and has been providing comfort to millions of consumers for over half a century. So we introduced a new variant of our VICKS Cough Drops in *Tulsi* flavour that provided the goodness of VICKS while reminding one of the age-old courtyard fixture, the Tulsi plant that was the centre of much devotion and celebration while we were growing up.

Your Company also introduced in its advertising Dr. Vicks, a brand mnemonic symbolizing a friendly family physician, who gives quick and effective cough and cold remedies. This fits in with the notion of the family physician that Indian families are used to - someone you can trust with your eyes closed and rely on for the best advice, someone who is as much a part of the family. Innovations like these and others have struck a resonant cord with our consumers and they have rewarded us by ranking us #2 on Brand Equity's Most Trusted Brands list. VICKS advertisements were also recognized as Best by Brand Equity.

Likewise, WHISPER Choice, which offers superior sanitary protection at an affordable price, continues to be the preferred choice of consumers in the mid-tier price segment. It has doubled its sales vs. last year achieving an all-time historic high. With more such meaningful variant launches, we are truly delivering propositions that delight our consumers.

Touching Lives, Improving Life

Your Company's aim has always been to improve more and more lives in the society in which we live and operate, in every possible way - be it through our superior-performing brands, value-for-money propositions, or cause-related marketing campaigns.

We began a specific effort in this direction three years ago when we initiated *Project Shiksha* - a cause related marketing program that enabled consumers to help support the education of underprivileged children in India. It is an indication of the power we have as consumers that in just three years we have been able to impact the lives of over 67,000 children through a cumulative contribution of over Rs. 5 crores. I am grateful to every single consumer who supported this cause because this is not about an initiative by one company; this is a work of national importance. And the work has

just begun.

Our donation through the NGO Child Rights and You (CRY) will be used for 15 projects across nine states, which will focus on issues such as healthcare services, right to livelihood, and a sustainable development of the focused villages, besides education. *Shiksha 2007* has had the proud distinction of being blessed with the best wishes of the former President of India, Dr. Abdul Kalam. Thus, with each passing year, *Shiksha* is only growing bigger and better, thanks to consumers, media and luminaries who have wholeheartedly supported the cause!

Am also happy to share with you that the WHISPER Choice *Purna Puraskar* Awards, which honors mothers for the choices they want to give their daughter, was taken to the next level this year, through regional contests, thus reaching out to many more women. You may recall this campaign was recognized world-over with a Bronze Lion Award at the International Cannes Advertising Festival last year!

Conclusion

As India rises further and further up on the horizon of the world in its journey to become a thriving and prosperous developed economy, the consumer, the media, the environment will continue to evolve and change. We embrace this change. We are inspired by the words of the Father of our nation: "Be the change that you want to see".

As I end, let me assure you that your Company is geared for this future. We are here to harness the power of possibilities. This only means there is more to come for our consumers, our shareholders, and more growth to look forward to in the years ahead - because your Company is fundamentally about Touching Lives, Improving Life.

Thank you.



Bharat. V. Patel

October 12, 2007

