Procter & Gamble Hygiene and Health Care Limited

Annual Report 2006-2007

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Dear Shareholders,

I am pleased to state that your Company has moved from strength to strength in 2006/07. Sales of our core businesses Health Care and Feminine Hygiene for the year grew by 14% to Rs. 540 crores. Feminine Hygiene grew by a healthy 24% for the fourth year in succession and Health Care business grew by 5% over a strong base of 17% growth in the previous year. The key drivers for this growth have been your Company's focus on meeting the rapidly changing needs of the new, evolving Indian consumers, through innovative and interactive marketing tools and superior value proposition of its products.

Profit After Tax (PAT) at Rs. 89.8 crores is lower by 36% versus the last year. However, when adjusted for the provisions for taxes and other one-time items for the current and previous years, PAT is up by 7%. Further, if we adjust pre-operational expenses incurred on our plants at Baddi, Himachal Pradesh and other income, PAT is up by 18% which is in line with the growth in sales.

Our core brands VICKS and WHISPER occupy the #1 positions in the categories that they compete in. Aggressive competition, higher spending power of consumers, increased rural and urban per capita consumption and changing needs have led to your company introducing new product offerings like VICKS Cough Drops "*Tulsi*", and innovations like the introduction of *Dr. Vicks*, a brand mnemonic symbolizing a friendly family physician, who gives quick acting and effective cough and cold remedies. Our consumers have embraced such marketing innovations and rewarded us by voting VICKS as India's #2 Most Trusted Brand in the Economic Times' Brand Equity Survey 2007 and Dr. Vicks TV ads as one of the "Best" advertisement.

Taking cognizance of the fact that new and interactive media reach out to teenage girls more effectively, WHISPER launched www.beinggirl.co.in, an interactive online community for girls to engage with one another and get solutions to their growing up concerns. Parallely, for the first time, we also explored cross-brand collaborations for a reality TV show with Whisper-Pantene *Khud Par Karo Yakeen*, India's Hunt for a Female TV News Anchor, to further empower and fulfill the dreams of young girls. The Whisper School Programs have been extended nationally to cover twice the number of schools versus earlier, thus educating more teenaged girls, parents and teachers on the importance of personal hygiene.

You will be proud to know that in 2006/07, your Company's social responsibility initiative *Shiksha* – the cause-related marketing program to lead underprivileged children across India on the path of education, completed its third year. Once again, our key stakeholders – consumers, distributors, retailers, media and employees, championed the cause with the aim to make *Shiksha* even bigger. I am happy to share that P&G India till date, under the global *Live*, *Learn & Thrive* program that supports children in need, garnered support from citizens across India and contributed wholeheartedly to help lead over 67,000 children on the path of education via a contribution of close to Rs. 5 crores.

Moving ahead, we are committed to a sustained focus on growth through our motto of *'Touching lives, Improving life'* via the superior quality of our products, best in class marketing and distribution and meaningful cause initiatives that benefit the communities in which we live and work.

Thank you and look forward to your continued trust, support and steadfast belief in P&G.

Bharat V. Patel

Mumbai
August 24, 2007

Bharat V. Patel
Chairman

REPORT OF THE DIRECTORS

Your Directors have the pleasure in presenting the 43rd Annual Report and Audited Accounts of the Company for the year ended June 30, 2007.

FINANCIAL RESULTS

(Figures in Rs. Crores)

	2006/2007	2005/2006
Sales (less excise duty)	**540.38**	566.73
Profit before tax	**145.50**	193.34
Profit after tax	**89.82**	139.51
Proposed Dividend plus tax thereon	**75.95**	92.53
Transfer to General Reserve	**9.00**	13.95
Balance carried forward	**83.67**	78.81

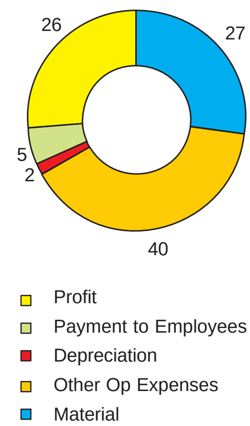
BUSINESS PERFORMANCE

Your Company continued to register excellent core business results for the year ended June 30, 2007. The basic Health Care and Feminine Hygiene business' sales at Rs. 538.3 crores (vs. last year's Rs. 472.6 crores) grew by 14%. It may be noted that total sales figure of Rs. 540.4 crores for the year under review is not comparable to last year's, as current year's sales does not include the divested detergent contract manufacturing business whereas the previous base period had part (Rs. 92.4 crores) sale of this discontinued business.

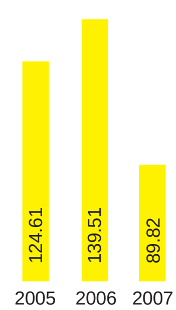
Profit Before Tax (PBT) at Rs. 145.5 crores (vs. last year's Rs. 193.3 crores) is down by 25%. However, when adjusted for all exceptional items like write back of excise duties and profit of detergent contract manufacturing in the previous year, the PBT actually is up by 6%. Further when adjusted for new Baddi plant's one time pre-operational expenses this year, the PBT is actually up by 16%, in line with the growth of core business sales.

Profit After Tax (PAT) at Rs. 89.8 crores (vs. last year's Rs. 139.5 crores) is lower by 36%. Here again, when adjusted for the impact of the provisions for tax for the current and the prior years, the PAT is up by 7%. Further when adjusted for the pre-operational expenses of setting up plant at Baddi, PAT is up by 18% which is also in line with the growth in sales and PBT.

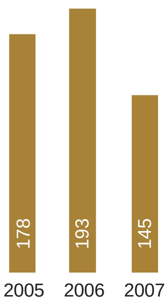
As informed in the last year's Report, your Company has set up two manufacturing facilities at Baddi, Himachal Pradesh at the cost of Rs. 22 crores. Your Directors are happy to inform you that during the year both the plants commenced commercial production and in the coming year, you will see a strong positive impact of these manufacturing facilities on the bottom line of the Company.



Profit After Tax
(Rs. Crores)



Profit Before Tax
(Rs. Crores)



During the year, your Company has also commenced an expansion of Feminine Hygiene Products Manufacturing at its Goa Plant with a capital expenditure of Rs. 19 crores. Once established, the expansion will help support the increasing demand of Feminine Hygiene Products of the Indian consumers.

Your Directors are pleased to inform you that the setting up of new plants in favorable tax zones and the expansion of manufacturing capacities are in line with the continuing growth of the Feminine Hygiene and Health Care businesses as demonstrated in the past few years. This also supports your Company's commitment to invest and grow in the underdeveloped and the high growth potential Health Care and Feminine Hygiene businesses.

Health Care Business

Health Care sales at Rs. 256.4 crores (vs. last year's Rs. 243.6 crores) registered a positive growth of 5% after the record growth of 17% last year. Three out of the four brands in the Health Care category recorded a double-digit growth, with VICKS Action 500 growing by 15%, VICKS Vaporub by 11% and VICKS Inhaler by 10%.

VICKS Vaporub and VICKS Action-500 had a record sales and also reached their highest-ever market shares. In the latest Economic Times Brand Equity survey on India's Most Trusted Brands, your Company's VICKS brand was ranked as the No. 2 in the entire country. The innovative *Dr. Vicks* advertising campaign has helped the housewife perceive VICKS as providing superior healthcare for her family. In fact, *Dr. Vicks* TV ad was also rated the "Best" Ad by Economic Times' Brand Equity. However, sales of VICKS Cough Drops suffered on account of the heightened competitive activities. With the renewed and strong marketing plans especially on VICKS Cough Drops and with introduction of superior products that meet the consumers' need, the growth of Health Care category is expected to perform strongly in the coming years.

Dr. Vicks poster.

Feminine Hygiene Business

Feminine Hygiene business recorded another year of high growth with sales at Rs. 282 crores (vs. last year's Rs. 226.8 crores) translating to a record 24% growth. This is the fourth year in succession where WHISPER has grown at such high pace. Outstanding marketing initiatives, increased distribution and product innovations were key factors driving the high growth. The latest entrant to the WHISPER franchise, WHISPER Choice, has doubled its sales vs. last year, achieving a historic high. This is a testimony to the great quality and value P&G is providing to the mid-tier consumer.

Website : www.beinggirl.co.in

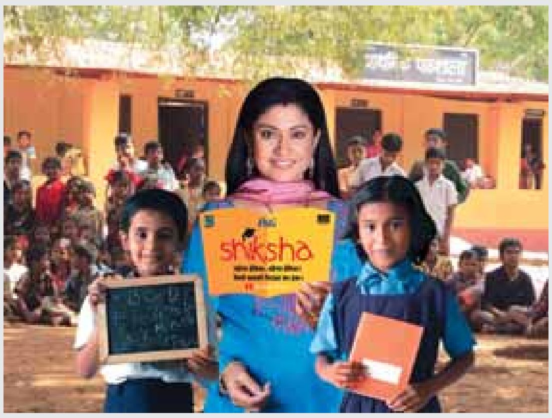
In an attempt to give the best choices to the consumers at the Point of Market Entry stage i.e. when they start menstruation, WHISPER has doubled the number of school girls contacted and sampled via the WHISPER School Health and Hygiene Education Program. To further empower, educate and provide solutions to the needs of teenaged girls, WHISPER has launched an interactive website www.beinggirl.co.in, which has shown impressive contact results in the first year itself.

In keeping with the spirit of empowerment of young women, WHISPER Ultra partnered with CNBC AWAAZ to conduct a hunt for the most talented news anchor in India.

DIVIDEND

Directors are pleased to recommend a dividend of Rs. 20 for each equity share for the financial year ended June 30, 2007. The dividend is scaled back to Rs. 20 per share as the Profit After Tax has declined to Rs. 89.8 crores (versus Rs. 139.5 crores) due to pre-operational expenses at newly established Baddi plants and some one-time exceptional other income in 2005/06.

SOCIAL RESPONSIBILITY



Celebrity Renuka Shahane supporting P&G – CRY Shiksha Project.

Our effort to live up to the credo *"Touching Lives, Improving Life"* continued with *Shiksha* (education) – a P&G initiated and led national consumer program in partnership with leading Child Rights organization, Child Rights and You (CRY). *Shiksha* seeks to support the education of underprivileged children in India.

Over the past three years, *Shiksha* has made a difference to the lives of over 67,000 children through a contribution of about Rs. 5 crores. Today, *Shiksha* enjoys the goodwill and support of leading luminaries from diverse fields. *Shiksha* 2007 had the proud distinction of being blessed with the best wishes of the former President of India, Dr. Abdul Kalam.

Shiksha has come a long way. Today it has evolved from a one company one NGO initiative to a national consumer movement with 15 projects across 9 states in India making the lives of over 67,000 children a little better. To quote Mother Teresa, *"We may feel what we are doing is only a drop in the ocean . . . but if that drop was not there, the ocean would be less because of the missing drop."*

RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibilities Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year ended June 30, 2007, 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 have prepared the accounts for the financial year ended June 30, 2007, on a "going concern" basis.

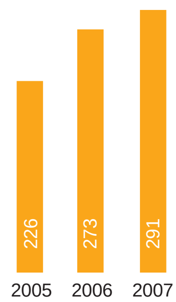
CORPORATE GOVERNANCE

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

P&G – CRY Shiksha Project – Children at school.

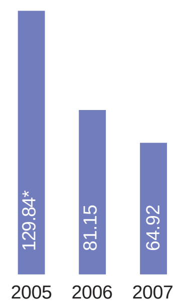
Net Worth

(Rs. Crores)



Outflow of Dividend

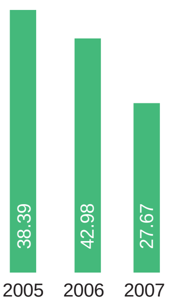
(Rs. Crores)



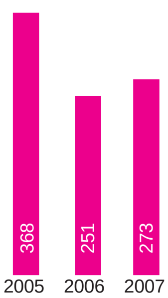
* Includes a one-time special dividend of Rs. 64.92 crores

E.P.S.

(Rs. Crores)



Employees



MANAGEMENT & PERSONNEL

Directors reiterate their confidence in the valuable contributions of employees which makes it possible for the Company to maintain the strong growth despite challenges of competition and for which the Directors wish to record their sincere appreciation.

The information as per Section 217(2A) of the Companies Act, 1956 ('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 shareholders 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.

TRADE RELATIONS

Directors wish to thank our Retailers, Wholesalers, Distributors, Suppliers of Goods & Services, Clearing and Forwarding Agents and all other business associates and acknowledge their efficiency and continued support in promoting such healthy growth in the Company's business.

DIRECTORS

Mr. Shantanu Khosla, Vice-President – Procter & Gamble, ASEAN, Australia, India (AAI) was re-appointed as the Managing Director of the Company for five years with effect from June 1, 2007.

Mr. Deepak Acharya, was appointed as an Additional Director and holds office till the ensuing Annual General Meeting of the Company. A notice has been received from a member proposing his candidature as Director of the Company, liable to retire by rotation.

Mr. R. A. Shah and Mr. B. S. Mehta retire by rotation and, being eligible, offer themselves for re-appointment.

Directors recommend their appointment.

A store displaying P&G brands: WHISPER & VICKS.

AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, Mumbai, retire and offer themselves for re-appointment.

COST AUDITORS

Company has received the approval of the Central Government for appointment of M/s. P.M. Nanabhoy & Company, Cost Accountants, to conduct the cost audit of drug formulations for the year ended June 30, 2007. Company has re-appointed M/s. P.M. Nanabhoy & Company as Cost Auditors for the year ending June 30, 2008, subject to the approval of the Central Government.

CONSERVATION OF ENERGY ETC. INFORMATION

The information, in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, 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, forms part of this Report.

ACKNOWLEDGEMENT

We continue to gain access and benefit from the latest on research and development on product and technologies by The Procter & Gamble Company, USA. We also continue to benefit from Procter & Gamble International Operations Limited's valuable contribution in different business services viz. marketing, financial, logistics, purchasing and business solutions. We place on record our special thanks for this support.

On behalf of the Board of Directors

Bharat V. Patel

Mumbai
August 24, 2007

Bharat V. Patel
Chairman

TEN YEAR FINANCIAL HIGHLIGHTS

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
YEAR END FINANCIAL POSITION (Rs. Crores)										
Gross Fixed Assets	236.3	241.2	240.6	224.2	221.5	177.9	170.9	178.8	127.0	**163.6**
Net Fixed Assets	173.6	166.3	148.2	124.4	106.7	74.3	80.2	79.1	65.4	**94.0**
Net Worth	179.3	140.1	197.1	273.2	217.9	230.4	249.1	225.7	272.7	**291.2**
SUMMARY OF OPERATIONS (Rs. Crores)										
Sales Gross	440.7	468.3	475.1	448.0	449.8	474.3	616.0	738.1	596.8	**553.0**
Profit before Tax	53.4	66.5	87.6	102.3	102.0	92.6	127.2	177.8	193.3	**145.5**
Profit after Tax	43.2	56.9	75	82.7	77	68	92	125	139.5	**89.8**
Dividend	16.2	86.5	16.2	86.5	43.3	43.3	64.9	129.8	81.2	**64.9**
PER SHARE DATA										
EPS (Rs.)	19.96*	26.28	34.70	38.21	35.59	31.44	28.39	38.39	42.98	**27.67**
Dividend (%)	75	400+	75	400	200	200	200	400++	250	**200**
NUMBER OF SHARES										
Shares (Lakhs)	144.27	216.40	216.40	216.40	216.40	216.40	324.61	324.61	324.61	**324.61**
NUMBER OF EMPLOYEES										
Employees	725	663	555	472	431	350	345	368	251	**273**

* EPS after bonus issue.

\+ Includes a special interim dividend of 350% (Rs. 75.74 crores).

++ Includes a special dividend of 200% (Rs. 64.92 crores).

ANNEXURE TO THE REPORT OF DIRECTORS

A. Power & Fuel Consumption

	2006-2007	2005-2006
1. Electricity		
(a) Purchased		
Units (KWH)	**58 25 988**	72 53 873
Total Amount (Rs.)	**4 91 51 607**	4 33 39 084
Rate/Unit (Rs.)	**8.44**	5.97
(b) Own Generation:		
(i) Through Diesel Generator		
Units (KWH)	**1 64 386**	3 16 505
Units per lts. of Diesel Oil	**2.89**	2.65
Cost / Unit (Rs.)	**11.98**	12.09
(ii) Through Steam Turbine / Generator	**N.A.**	N.A.
2. Coal (Specify Quality and where used)	**N.A.**	N.A.
3. Furnace Oil	**N.A.**	N.A.
4. Others / Internal Generation	**N.A.**	N.A.

B. Consumption of Electricity Per Unit of Production

KWH/Tones

	2006-2007	2005-2006
Other Products	**8 983**	240

Note :

Since Company's operations involve low energy consumption, the Company has no comments to offer under para Assignment (a) to (c) of Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

I. RESEARCH & DEVELOPMENT :

1. Specific areas in which R&D carried out by the Company :

   During the year Company continued its Research and Development thrust for improvement of its existing products, processes and import substitution. Research work is also being done for development of new products.

2. Benefits derived as a result of the above R&D :

   R&D efforts have helped bringing about an improvement in processes and have resulted in cost reduction and import substitution.

3. Future Plan of Action :

   Emphasis will continue to be laid on the existing products and new products.

4. Expenditure on R&D.

Rs. Lakhs

		2006-2007	2005-2006
a.	Capital	**—**	—
b.	Recurring	**57.13**	58.35
c.	Total	**57.13**	58.35
d.	Total R&D expenditure as a percentage of total turnover.	**0.11**	0.10

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts, in brief, made towards technology absorption, adaptation and innovation; Continued implementation of QC/QA procedures for natural products; New products and processes were successfully adapted on commercial scale to utilize local, raw materials and machinery; Technical Services for reliability, quality, cost savings and technology transfer from overseas.

2. Benefits derived as a result of above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. All the above efforts resulted in improving process efficiencies, consistent quality of our products, introduction of new products and import substitution and successful absorption of technology.

3. Imported Technology : The Company has the advantage of availing advanced technology and continuous upgradation thereof from The Procter & Gamble Company, USA and its subsidiaries. This is an unmatched competitive advantage that helps the Company deliver strong business results.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :

The Company exported products and services of Rs. 2.45 crores during the year. The particulars of foreign exchange earned/utilized during the year are given in Schedule 17 (B)(b)(j) to the Accounts.

By Order of the Board of Directors

Bharat V. Patel
Chairman

CORPORATE GOVERNANCE

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 investors – both shareholders and creditors – 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 highly experienced Board of Directors, who help us maintain the highest standard of 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 standards. Our rigorous business process controls include 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. 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 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, and P&G's global operations, this is the only way to do business.

BOARD OF DIRECTORS

(a) Composition of the Board

As on date, the Board has one Managing Director (MD), and five Non-Executive Directors. MD is involved in the day-to-day management of the Company while the Non-Executive Directors bring external perspective and independence to decision making. Mr. B. V. Patel, Mr. R. A. Shah and Mr. B. S. Mehta are 'independent directors' as per explanation to clause 49 I (A) of the listing agreement. Except the MD, all the Non-Executive Directors are liable to retire by rotation. As per article 131 of the Articles of Association of the Company, The Procter & Gamble Company, USA has the right to designate one or more of the members of the board as Managing Directors of the Company.

(b) Number of Board meetings

Six Board meetings were held during the period July 1, 2006 to June 30, 2007. They were held on August 28, October 6, October 31, 2006, January 29, April 30 and June 2, 2007.

(c) Directors' attendance record and directorships held

The attendance record of all directors is as under:

Directors	No. of Board meetings attended	Last AGM Attendance
Mr. B. V. Patel	5	Present
Mr. S. Khosla	6	Present
Mr. A. Chhabra*	6	Present
Mr. R. A. Shah	5	Present
Mr. B. S. Mehta	6	Present
Mr. D. Acharya**	Not Applicable	Not Applicable
Ms. D. Henretta	None	Not Present
Mr. P. Agarwal #	None	Not Present

* Mr. A. Chhabra ceased to be the Director of the Company w.e.f. July 17, 2007.

** Mr. D. Acharya was appointed as an Additional Director of the Company w.e.f. July 17, 2007.

Alternate Director to Ms. Henretta.

The composition and other details of the Board of Directors as on June 30, 2007 are given below:

Director	Category	No. of Membership in Boards of other companies*	No. of Membership/ Chairmanships in other committees*
Mr. B. V. Patel	Non-Executive Chairman	4	2
Mr. S. Khosla**	Managing Director	2	1
Mr. A. Chhabra @	Executive Director	None	None
Mr. R. A. Shah	Non-Executive Director	14	9 (Chairman in 5)
Mr. B. S. Mehta	Non-Executive Director	14	9 (Chairman in 5)
Mr. D. Acharya***	Non-Executive Director	None	None
Ms. D. A. Henretta	Non-Executive Director	1	None
Mr. P. Agarwal #	Non-Executive Director	1	None

* excludes directorships in private limited companies, bodies corporate, foreign companies, memberships of managing committees of various chambers/bodies and alternate directorships.

** Re-appointed, subject to approval of the shareholders at the ensuing Annual General Meeting of the Company.

@ Mr. A. Chhabra ceased to the Director of the Company w.e.f. July 17, 2007.

*** Mr. D. Acharya was appointed as an Additional Director of the Company w.e.f. July 17, 2007.

Alternate Director to Ms. Henretta.

(d) Material significant related party transaction

There are no materially significant transactions made by the Company with its Promoters, Directors, or Management, their subsidiaries or relatives etc. which have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note B.13 of Schedule 17 to the Accounts in the Annual Report.

(e) Remuneration of Directors

The Non-Executive Chairman was paid a commission of Rs. 21 lakhs for the year ended June 30, 2007 and will be paid Rs. 25 lakhs per annum beginning July 1, 2007 to December 31, 2008, subject to deduction of tax at source.

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

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

Company also pays fees for the professional services to the firm of Chartered Accountants and firm of Solicitors and Advocates of which two of the Non-Executive Directors are partners. Considering the amounts, the Company is of the opinion that there is no material association with these firms. The Non-Independent Executive Directors are paid remuneration based on their responsibility and performance and in terms of the resolution as passed by the members at the General Meeting. Details of the remuneration paid to Directors of the Company during the year ended June 30, 2007 are given below:

The term of the Managing Director is for a period of five years from the date of appointment. No fee/compensation is payable to the Directors on severance of directorship of the Company.

The re-appointment and remuneration paid to the Managing Director subsequent to the date of reappointment i.e. June 1, 2007 amounting to Rs. 7.98 lakhs is subject to the approval of the Members of the Company at the ensuing Annual General Meeting. Refer Note B.4 & 5 of Schedule 17 to the Accounts in the Annual Report.

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

Stock Options

The Company does not have any Stock Option Plan for its employees. However, all employees of the Company including its 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 Option of the Parent Company under its Employee Stock Option Plan. Details as regards the same are disclosed vide Note No. B.15 of Schedule 17 to the Accounts in the Annual Report.

(f) Committees of the Board

Audit Committee

The Audit Committee comprises of Non-Executive Directors namely Mr. B. V. Patel (Chairman), Mr. B. S. Mehta (Member) and Mr. R. A. Shah (Member). The

Name of Director	Relationship with other Directors	Salary including Bonus + PF contribution	Perquisites	Sitting Fees	Commission	Shares held
Mr. B. V. Patel	None	–	14,100	70,000	21,00,000	–
Mr. S. Khosla	None	1,25,23,215	16,80,000	–	–	67
Mr. A. Chhabra *	None	1,13,86,438	7,16,769	–	–	–
Mr. R. A. Shah	None	–	–	50,000	10,00,000	5550
Mr. B. S. Mehta	None	–	–	50,000	10,00,000	3799
Mr. D. Acharya**	None	–	–	–	–	–
Ms. D. A. Henretta	None	–	–	–	–	–
Mr. P. Agarwal ***	None	24,79,500	–	–	–	–
TOTAL		**2,63,89,153**	**24,10,869**	**170,000**	**41,00,000**	**–**

* Mr. A. Chhabra ceased to the Director of the Company w.e.f. July 17, 2007.

** Mr. D. Acharya was appointed as an Additional Director of the Company w.e.f. July 17, 2007.

*** Alternate Director to Ms. D. A. Henretta.

Audit Committee met on August 28, October 31, 2006, January 29 and April 30, 2007.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. B. V. Patel	4	3
Mr. A. Chhabra*	4	4
Mr. R. A. Shah	4	4
Mr. B. S. Mehta	4	4
Mr. S. Harlalka**	N. A.	N. A.

* Mr. A. Chhabra ceased to be the Director and Company Secretary of the Company w.e.f. July 17, 2007.

** Mr. S. Harlalka was appointed as the Company Secretary w.e.f. August 1, 2007.

The Audit Committee enjoys the powers and plays the role as is contemplated under Section 292A of the Companies Act, 1956 read with the listing agreement as amended from time to time, with the Stock Exchange.

The Audit Committee powers include the following:

(a) to investigate any activity within its terms of reference.

(b) to seek information from any employee.

(c) to obtain outside legal or other professional advice.

(d) to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee role includes the following:

(a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

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

- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

(d) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

(e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

(f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

(g) Discussion with internal auditors of any significant findings and follow up thereon.

(h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

(i) Discussion with external auditors before the audit commences about nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

(j) Reviewing the company's financial and management policies.

(k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

(l) Reviewing the functioning of the Whistle Blower mechanism.

(m) Carrying out any other function as required in the terms of reference of the Audit Committee in the Listing Agreement as may be amended from time to time.

Shareholder/Investor Grievance Committee

The Shareholders' Grievance Committee comprises of Mr. B. V. Patel (Chairman), Mr. S. Khosla (Member), Mr. D. Acharya (Member) and Mr. S Harlalka (Member). Mr. S. Harlalka, Company Secretary acts as the Compliance Officer. During the year four meetings were held on August 28, October 31, 2006, January 29 and April 30, 2007.

Directors	No. of meetings held during tenure	No. of meetings attended
Mr. B. V. Patel	4	3
Mr. S. Khosla	4	4
Mr. A. Chhabra*	4	4
Mr. D. Acharya**	N. A.	N. A.
Mr. S. Harlalka***	N. A.	N. A.

* Mr. A. Chhabra ceased to be the Director and Company Secretary of the Company w.e.f. July 17, 2007.

** Mr. D. Acharya was appointed as an Additional Director of the Company w.e.f. July 17, 2007.

*** Mr. S. Harlalka was appointed as the Company Secretary w.e.f. August 1, 2007.

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

During the year, the Company received 61 shareholder complaints. The complaints have generally been resolved to the satisfaction of the shareholders except for dispute cases and sub-judice matters, which would be resolved on final disposal by appropriate courts. There were no pending transfers as on June 30, 2007.

MANAGEMENT

Management Discussion and Analysis

The Company has good internal control systems, the adequacy of which have been reported by its auditors in their report as required under the Companies (Auditor's Report) Order, 2003. The discussion on financial performance of the Company is covered in the Directors' Report. The Company operates in a single business and geographical segment. Employee and Trade Relations related developments are covered in the Directors' Report. The number of employees as on June 30, 2007 were 273.

The Company's core business is marketing and distribution of Health Care and Feminine Hygiene products. Under these businesses it has in its portfolio: *VICKS* – India's No. 1 Health Care brand and *WHISPER* – India's leading Feminine Hygiene brand.

The Healthcare Colds market grew by 13% during the year, backed by increased advertising spends and launch of lower outlay products. The market also witnessed several new launches by the regional players. However, lower per capita consumption as compared to developing economies in the region and under-dosage of medication continue to pin down the growth potential of this business. Further, the government policy of not liberalizing certain commonly used drugs (OTC drugs) from the provisions of the sale license is also hampering easy availability of certain commonly used drugs. In many countries, the concept of selling household remedies and commonly used drugs from non-pharmacy outlets is prevalent.

Feminine Hygiene market grew by 14% during the year, but the per-capita consumption continues to be abysmally low. Only two out of ten urban women used branded pads. As a result the market size of about Rs. 633 crores remains very low when compared to the population of menstruating women in India. We believe that with the increase in working women due to economic development, the market size should increase at a steady pace for a number of years. A positive development in this market is that feminine hygiene pads are available at greater number of stores. Their current numbers may be low compared to availability of products like shampoos, but stores carrying the branded pads are growing at faster pace than in the recent past.

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.

SHAREHOLDERS

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

- **Mr. R. A Shah** is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Co., a firm of Solicitors and Advocates. He specializes in a broad spectrum of corporate laws. Mr. Shah has been associated with your Company since its inception. Presently, he is Chairman/Director of the following public companies.

  Mr. Shah is a Chairman of Clariant Chemicals (India) Limited, Godfrey Phillips India Limited and Pfizer Limited. Mr. Shah is a Vice-Chairman in Colgate Palmolive India Limited.

  Mr. Shah is a Director of Abbott India Limited, Asian Paints Limited, ACC Limited, The Bombay Dyeing & Mfg. Co. Limited, BASF India Limited, Century Enka Limited, Deepak Fertilizers & Petrochemicals Corporation Limited, Lupin Limited, Nicholas Piramal India Limited and Wockhardt Limited.

  Mr. Shah is also a Chairman and/or Member of the following Audit/Remuneration Committees of the following companies: Pfizer Limited, Colgate Palmolive India Limited, The Bombay Dyeing & Mfg. Co. Limited, Nicholas Piramal India Limited, Clariant Chemicals (India) Limited, BASF India Limited, Abbott India Limited, Century Enka Limited, Lupin Limited and Wockhardt Limited.

- **Mr. B. S. Mehta** is a leading practising Chartered Accountant and a Senior Partner of M/s. B. S. Mehta & Company, a firm of Chartered Accountants. Mr. Mehta specializes in the area of taxation and financial management. Mr. Mehta has been a member of various bodies including the Institute of Chartered Accountants of India.

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

  Mr. Mehta is an Alternate Director of Chemetall Rai India Limited and Udhe India Limited and a Director in Jumbo World Holdings Limited (Foreign Company).

  Mr. Mehta is also a Chairman and/or Member of the following Audit/Remuneration Committees of the following Companies. Gillette India Limited, Housing Development Finance Corporation Limited, Atul Limited, Century Enka Limited, IL&FS Investment Managers Limited, J.B. Chemicals & Pharmaceuticals Limited, Sudarshan Chemical Industries Limited, Sasken Communication Technologies Limited and Pidilite Industries Limited.

- **Mr. S. Khosla** is a B.Tech (Mechanical Engg) with a post graduation in Business Management. He has been with P&G since 1983. He has over the period gained valuable experience of overseeing P&G's international businesses in UK, Malaysia, Japan and Singapore.

  Mr. Khosla is the Managing Director of Gillette India Limited and Procter & Gamble Home Products Limited (subject to the approval of the Central Government).

- **Mr. D. Acharya** is a Law Graduate from the Bombay University, a Fellow Member of the Institute of Company Secretaries of India and an Associate Member of the All India Management Association (AIMA). Since 1992, he has worked at various levels in the Legal function in India, and the P&G's regional headquarters at Singapore.

  Mr. Acharya is a Director of Procter & Gamble Home Products Limited.

(b) Communication to shareholders

(i) The Company does not send its quarterly or half-yearly report to its shareholders.

(ii) The quarterly results of the Company are generally published in The Economic Times and Maharashtra Times.

(iii) Company's results and official news release are generally published on Company's website: www.pg-india.com/hhcl. It contains data on various topics related to transfers, transmission of shares, dematerialisation, nomination, change of address, loss of physical share certificates, dividend etc. Also, a special facility has also been provided for shareholders to send in their suggestions/ grievances, which are immediately responded to.

(iv) No presentations were made to analysts and institutional investors.

(v) Annual Report, Quarterly results, Shareholding Pattern etc. of the Company are also posted on the SEBI EDIFAR website: www.sebiedifar.nic.in

(c) Statutory Compliance

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

(d) General Body Meetings:

Year	Type	Location	Date	Time
2006	AGM	Y B Chavan Hall	Oct 6, 2006	3:30 pm
2005	AGM	Patkar Hall	Nov 25, 2005	3:30 pm
2004	AGM	Y B Chavan Hall	Oct 15, 2004	3:30 pm

No special resolution was passed at the last Annual General Meeting held.

(e) Whistle Blower Policy

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

The Alertline is not staffed or monitored by Company personnel. All calls can be completed anonymous if the caller desires.

The Alertline can take calls in most languages spoken by employees around the world.

Calls made to the Alertline are reported to the Company 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.

(f) Adoption of non-mandatory requirements

Adoption of non-mandatory requirements under clause 49 of the listing agreement is being reviewed by the Board from time to time.

Of the non-mandatory requirements, currently the Company has the Whistle Blower Policy as described above.

(g) Code of Conduct

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

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

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

The Company vide the Worldwide Business Conduct Manual has a Code of Conduct for Prevention of Insider Trading in the shares and securities of the Company, its suppliers or associate companies. This Code, among others, prohibits the purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The Worldwide Business Conduct Manual has been posted on the Company's website at www.pg.com.

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

The Annual General Meeting will be held on October 12, 2007, at 3:30 pm at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400 020.

II. Financial Calendar:

Company follows July-June Financial year. The unaudited results for every quarter beginning from July are declared in the month following the quarter except for the last quarter, for which the audited results are declared by September, as permitted under the listing agreement.

III. Book Closure Date:

September 29 to October 12, 2007 (both days inclusive).

IV. Dividend Payment Date:

On or around October 18, 2007.

V. Listing of Equity Shares on Stock Exchange

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

VI. Stock code

Bombay Stock Exchange Ltd. (physical & demat) – Code : 500459

National Stock Exchange of India Ltd. – Code : PGHH

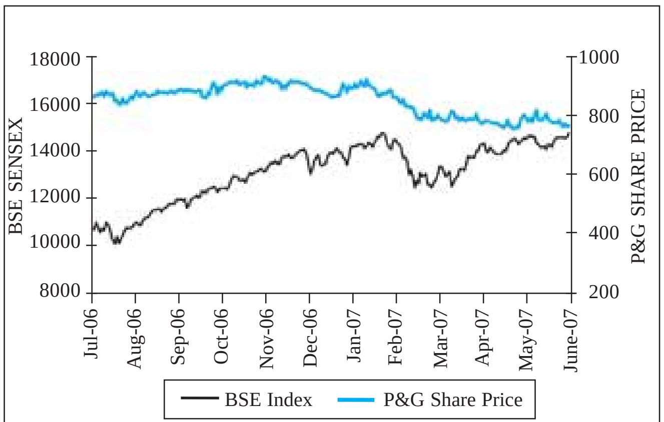
The dematerialization ISIN Code is **INE 179A01014**

VII. Stock Price Data

Month	Bombay Stock Exchange Ltd., Mumbai		National Stock Exchange of India Ltd.	
	High	Low	High	Low
July – 2006	899	785	917	804
August – 2006	900	830	968	820
September – 2006	911	843	910	842
October – 2006	926	853	950	850
November – 2006	948	855	980	862
December – 2006	915	850	950	840
January – 2007	1005	851	925	851
February – 2007	897	790	900	794
March – 2007	842	740	841	750
April – 2007	880	761	845	757
May – 2007	800	735	803	740
June – 2007	817	751	862	731

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

VIII. Stock Performance



(Source: www.bseindia.com)

IX. Registrar & Transfer Agents

INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078.

Tel : 2594 6980 / 2596 3838

Fax : 2594 6969

E-mail : pginvestors@intimespectrum.com
isrl@intimespectrum.com

X. Share Transfer System

All shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agent within 30 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are processed and the conformation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

XI Distribution of shareholding by size class as on June 30, 2007

	Shareholders		Shares	
Share holding	**Number**	**% to Total**	**Number**	**% to Total**
Upto 500	20747	90.18	2210983	6.82
501 – 1000	1322	5.75	925336	2.85
1001 – 2000	563	2.45	779024	2.40
2001 – 3000	144	0.63	354550	1.09
3001 – 4000	65	0.28	228431	0.70
4001 – 5000	36	0.16	161845	0.50
5001 – 10000	67	0.29	467079	1.44
10001 and above	60	0.26	27333488	84.20
TOTAL	**23004**	**100.00**	**32460736**	**100.00**

Distribution of shareholding by ownership as on June 30, 2007

Category	Number of Shares held	% of Shares held
Foreign Promoters	22310090	68.73
Resident Individuals	5589642	17.22
Mutual Funds & UTI	705027	2.17
Financial Institutions	1613317	4.97
Foreign Institutional Investors	440489	1.36
Private Corporate Bodies	1656004	5.10
NRIs / OCBs	125846	0.39
Directors and their Relatives	20321	0.06
TOTAL	**32460736**	**100.00**

XII Dematerialization of shares and liquidity

As on June 30, 2007 about 91.45% of total Equity Capital was held in dematerialisation form with NSDL and CDSL and the remaining in physical form.

Trading in Equity Shares of the Company is permitted only in dematerialisation form w.e.f. April 05, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

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

XIV Plant Locations

Goa Plant: 173, 314, 315, Kundaim Industrial Estate, Kundaim, Goa - 403 115.

Baddi Plants:

(1) Khasara. No. 1808-09, Village Thana, Pargana Dharampur, Baddi, Tehsil Nalagarh, Dist.: Solan, Himachal Pradesh - 173205.

(2) Village Katha, Pargana Dharampur, Baddi, Tehsil Nalagarh, Dist.: Solan, Himachal Pradesh - 173205.

XV Addresses for Correspondence

The Company's registered address is Secretarial Dept., Procter & Gamble Hygiene and Health Care Limited, P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai 400 099. Tel (91-22) 2826 6000, Fax (91-22) 6693 9696. email - pginvestors@intimespectrum.com

XVI Compliance Officer

Mr. Sachin Harlalka, Company Secretary, Ph.: (91-22) 28262000, Fax: (91-22) 66939696, E-mail: harlalka.s@pg.com

Declaration

As provided under Clause 49 of the Listing Agreement with Stock Exchanges, the Board Members have confirmed compliance and have undertaken to continue to comply with the Code of Conduct for Director's and the Senior Management Team have complied and have undertaken to continue to comply with the Business Conduct Manual for the Financial Year ended June 30, 2007.

For, **PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED**

S. Khosla
Managing Director

Mumbai, August 24, 2007

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

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

We have examined the compliance of conditions of Corporate Governance by Procter & Gamble Hygiene and Health Care Limited, for the year ended on 30th June 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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

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

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

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner
Membership No. 038568

Mumbai
August 25, 2007.

AUDITORS' REPORT TO THE MEMBERS OF PROCTER & GAMBLE HYGIENE AND HEALTH CARE LIMITED

1. We have audited the attached balance sheet of Procter & Gamble Hygiene and Health Care Limited ("the Company"), as at June 30, 2007, 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 B5 of Schedule 17 annexed to and forming part of the financial statements, regarding the re-appointment of and remuneration paid to the Managing Director, subsequent to the date of re-appointment, i.e. June 1, 2007, amounting to Rs. 7.98 lakhs, which is subject to the approval of the Members at the ensuing Annual General Meeting of the Members of the Company.

5. 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2007 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, 2007;

      (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

K. A. Katki
Partner
Membership No. 038568

Mumbai
August 25, 2007

Annexure referred to in paragraph 3 of the Auditors' Report on the Accounts of Procter & Gamble Hygiene and Health Care 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. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

   a. The particulars of contracts or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.

   b. Where each of such transactions (excluding loans reported under paragraph 3 above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regard to the specialized nature of some of the transactions of the Company.

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 formulations, 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, 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 of undisputed Investor Education and Protection Fund and Income-tax dues as given below:

Statement of Arrears of undisputed Statutory Dues Outstanding for more than six months:

Name of the Statute	Nature of Dues	Amount (Rs. in Lakhs) relates	Period to which the amount	Due Date	Date of Payment
Income Tax Act, 1961	Tax deducted at source	6.52	Year ended June 30, 2007	On various dates from April 2006 to November 2006.	July 24, 2007
Investors Education Protection Fund	Principle and Interest due on Partially Convertible Debentures and Non-Convertible Debentures	7.97	Year ended June 30, 1998, 1999, 2000	September 2004, 2005, 2006.	August 22, 2007

b. According to the information and explanations given to us, details of disputed income tax, excise duty, sales tax and custom duty dues which have not been deposited as on June 30, 2007 on account of dispute are given below:

Sr. No.	Name of the Statute	Amount dispute not yet deposited (Rs. in Lakhs)	Period under amount relates	Period to which the is pending	Forum where dispute

Sr. No.	Name of the Statute dispute not yet deposited (Rs. in Lakhs)	Amount under amount relates	Period to which the is pending	Forum where dispute
1	Income Tax	2849.86	F.Y. 2002-03 and F.Y. 2003-04	CIT Appeal
	Sub-total	2849.86		
2	Excise duty*	591.80	June 1993 to March 1994 and 1994-95 to 1997-98	Adjudicating Authorities
		2565.98	1993-94 to 1997-98, August 1995, February 1998, August 1998 to January 1999 and March 1999	Tribunal
	Sub-total	3157.78		
3	Sales Tax	1125.47	1993-94 and 1997-98 to 2003-04	Appellate Authorities
		429.37	1990-91 to 1996-97	Tribunal
		62.17	1990-91 to 1997-98	High Court
	Sub-total	1617.01		
4	Custom Duty	158.01	1992-93	Joint Director General of Foreign Trade
	Sub-total	158.01		
	Grand total	**7782.66**		

* This excludes:

- disputed unpaid demands of Rs. 252 lakhs raised by the authorities on third parties with whom the Company has business transactions/ contractual obligations.

There were no disputed dues in respect of service 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 financial year.

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

K. A. Katki
Partner
Membership No. 038568

Mumbai
August 25, 2007

Balance Sheet as at June 30, 2007

	Schedule No.	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.	As at June 30, 2006 Rs.
Sources of Funds					
Shareholders' funds					
Capital	1	32 46 07 360		32 46 07 360	
Reserves and Surplus	2	2 58 72 15 032		2 40 19 78 988	
			2 91 18 22 392		2 72 65 86 348
Deferred Tax Liability - Net	3		—		88 00 000
TOTAL			2 91 18 22 392		2 73 53 86 348
Application of Funds					
Fixed Assets	4				
Gross Block		1 63 61 99 244		1 26 28 46 937	
Less : Depreciation/Amortization		69 61 05 037		60 90 52 452	
Net Block		94 00 94 207		65 37 94 521	
Capital work-in-progress (including advances on capital account)		33 47 42 410		29 18 15 982	
			1 27 48 36 617		94 56 10 503
Deferred Tax Asset - Net	3		5 66 17 975		—
Current Assets, Loans and Advances					
Inventories	5	31 35 78 918		28 31 22 737	
Sundry Debtors	6	14 64 18 202		8 76 81 439	
Cash and Bank Balances	7	29 23 77 879		2 45 75 91 577	
Other Current Assets	8	3 68 67 791		2 06 14 798	
Loans and Advances	9	2 43 04 44 743		63 12 65 685	
		3 21 96 87 533		3 48 02 76 236	
Less : Current Liabilities and Provisions					
Current Liabilities	10	84 80 56 379		73 68 11 252	
Provisions	11	79 12 63 354		95 36 89 139	
		1 63 93 19 733		1 69 05 00 391	
Net Current Assets			1 58 03 67 800		1 78 97 75 845
TOTAL			2 91 18 22 392		2 73 53 86 348
Significant Accounting Policies and Notes to Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 25, 2007

For and on behalf of Board of Directors

B. V. Patel
Chairman

S. Khosla
Managing Director

Directors :

B. S. Mehta
R. A. Shah
D. Acharya

Sachin Harlalka
Company Secretary

V. S. Bhat
Finance Manager

Mumbai, August 24, 2007

Profit and Loss Account for the year ended June 30, 2007

	Schedule No.	Rs.	2006 - 2007 Rs.	Rs.	2005 - 2006 Rs.
Income					
Sales – Gross			5 52 95 01 217		5 96 75 05 506
Less : Excise duty (Refer B. 7 of Schedule 17)			14 62 73 126		31 85 00 297
Net Sales			5 38 32 28 091		5 64 90 05 209
Licence fee			2 06 13 493		1 82 50 197
Other Income	12		14 37 00 316		64 27 54 938
			5 54 75 41 900		6 31 00 10 344
Expenditure					
Raw and packaging materials consumed			1 44 54 97 341		1 72 08 98 059
Purchase of Finished Goods			6 11 12 147		8 80 09 540
Decrease/(Increase) in finished goods and work-in-process	13		(1 79 66 747)		13 07 60 111
Payments to and provisions for employees	14		29 23 55 349		28 76 50 374
Operating and other expenses	15		2 22 16 67 774		2 14 23 13 192
Interest	16		89 144		11 15 254
Depreciation/Amortization			8 98 35 110		7 91 51 385
			4 09 25 90 118		4 44 98 97 915
Profit Before Taxation and Exceptional items			1 45 49 51 782		1 86 01 12 429
Exceptional items – Income					
Profit on sale of detergent manufacturing business			—		4 72 34 468
Profit on sale of property			—		2 60 86 611
Profit Before Taxation and after Exceptional items			1 45 49 51 782		1 93 34 33 508
Provision for taxation:					
Income Tax					
Current Tax			50 88 82 000		51 04 00 000
Deferred Tax (credit)/expenses			(7 23 08 000)		(82 00 000)
Prior Year Tax Adjustment			10 71 60 662		—
Fringe Benefit tax			1 30 00 000		3 61 00 000
Wealth tax			—		10 000
Profit After Taxation			89 82 17 120		1 39 51 23 508
Profit from Continuing operations		1 45 49 51 782		1 83 53 23 787	
Less: Tax expense		55 67 34 662		50 52 86 268	
			89 82 17 120		1 33 00 37 519
Profit from Discontinued operations (Refer Note B. 2 of Schedule 17)		—		5 08 75 253	
Profit on sale of detergent manufacturing business		—		4 72 34 468	
Less: Tax expense		—		3 30 23 732	
			—		6 50 85 989
Profit After Taxation			89 82 17 120		1 39 51 23 508
Balance brought forward from previous year			78 79 85 515		45 77 95 863
Amount available for appropriation			1 68 62 02 635		1 85 29 19 371
Appropriations					
Proposed dividend		64 92 14 720		81 15 18 400	
Corporate tax on dividend		11 03 34 042		11 38 15 456	
Transfer to General Reserve		9 00 00 000		13 96 00 000	
			84 95 48 762		1 06 49 33 856
Balance carried forward			83 66 53 873		78 79 85 515
Basic and diluted earnings per share:					
– after exceptional items (Rs.) (Refer Note B. 17 of Schedule 17)			27.67		42.98
– before exceptional items (Rs.) (Refer Note B. 17 of Schedule 17)			27.67		41.48
Numbar of equity shares outstanding during the year of Rs. 10/- each			3 24 60 736		3 24 60 736
Significant Accounting Policies and Notes to Accounts	17				

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 25, 2007

For and on behalf of Board of Directors

B. V. Patel
Chairman

S. Khosla
Managing Director

Directors :
B. S. Mehta
R. A. Shah
D. Acharya

Sachin Harlalka
Company Secretary

V. S. Bhat
Finance Manager

Mumbai, August 24, 2007

Cash Flow Statement for the year ended June 30, 2007

	2006 - 2007		2005 - 2006	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from Operating Activities				
Profit Before Taxation and after Exceptional items		1 45 49 51 782		1 93 34 33 508
Adjustments for:				
Depreciation/Amortization	8 98 35 110		7 91 51 385	
Write-back of liabilities no longer required	—		(44 36 43 648)	
Interest income	(11 46 08 253)		(12 06 86 137)	
Interest expense	89 144		11 15 254	
Provision for employee benefits	33 59 308		51 10 005	
Unrealised Foreign Exchange (Gain)/Loss	4 72 04 334		(5 68 85 015)	
Profit on sale of detergent manufacturing business	—		(4 72 34 468)	
Profit on sale of Long term investments	—		(2 45 000)	
(Profit)\Loss on sale of Fixed Assets (net)	9 20 430		(1 54 73 044)	
		2 68 00 074		(59 87 90 669)
Operating profit before working capital changes		1 48 17 51 856		1 33 46 42 839
Adjustments for :				
Trade and other receivables	(23 63 68 972)		53 79 70 285	
Inventories	(3 04 56 181)		5 28 28 444	
Trade and other payables	17 03 98 016		5 64 95 341	
		(9 64 27 137)		64 72 94 071
Cash generated from operations		1 38 53 24 719		1 98 19 36 910
Direct taxes paid (net)		(67 24 67 772)		(56 64 63 575)
Net Cash generated from Operating Activities		71 28 56 947		1 41 54 73 335
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(42 03 03 355)		(56 28 05 117)	
Sale of fixed assets	3 21 700		3 33 56 959	
Proceeds from sale of long term investments	—		3 45 000	
Proceeds from sale of detergent manufacturing business	—		68 05 18 935	
Interest received	9 83 55 260		10 85 27 081	
Loan to fellow subsidiary	(1 58 20 00 000)		—	
Inter Corporate Deposits placed (net)	—		(5 00 00 000)	
Net Cash generated from/(used in) Investing Activities		(1 90 36 26 395)		20 99 42 858
C. Cash Flow from Financing Activities				
Dividend paid	(81 15 18 400)		(1 29 84 29 440)	
Corporate Tax on Dividend paid	(11 38 15 456)		(18 21 04 729)	
Interest paid	(89 144)		(11 15 254)	
Net Cash used in Financing Activities		(92 54 23 000)		(1 48 16 49 423)
Net Increase/(Decrease) in Cash and Cash Equivalents		(2 11 61 92 448)		14 37 66 770
Cash and Cash Equivalents (Refer Note below) :				
Opening Balance	2 42 79 49 492		2 28 41 82 722	
Closing Balance	31 17 57 044		2 42 79 49 492	
Net Increase/(Decrease) in Cash and Cash Equivalents		(2 11 61 92 448)		14 37 66 770

Notes :

Cash and Cash Equivalents as on	June 30, 2007	June 30, 2006
Cash and Bank Balances (Refer Schedule 7)	29 23 77 879	2 45 75 91 577
Effect of exchange rate changes – (gain)/loss	1 93 79 165	(2 96 42 085)
Cash and Cash equivalents as restated	31 17 57 044	2 42 79 49 492

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 25, 2007

For and on behalf of Board of Directors

B. V. Patel
Chairman

S. Khosla
Managing Director

Directors :

B. S. Mehta
R. A. Shah
D. Acharya

Sachin Harlalka
Company Secretary

V. S. Bhat
Finance Manager

Mumbai, August 24, 2007

Schedules forming part of the accounts

	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.	As at June 30, 2006 Rs.
(1) Capital				
Authorised				
3 50 00 000 (Previous year: 3 50 00 000) equity shares of Rs. 10 each		35 00 00 000		35 00 00 000
Issued and subscribed				
3 24 60 736 (Previous year: 3 24 60 736) equity shares of Rs. 10 each fully paid-up		32 46 07 360		32 46 07 360

Of the above shares

a) 2 35 41 242 (Previous year: 2 35 41 242) equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve and Share Premium

b) 2 23 10 090 (Previous year: 2 23 10 090) equity shares are held by the holding company, The Procter and Gamble Company, USA, and its subsidiaries.

	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.	As at June 30, 2006 Rs.
(2) Reserves and Surplus				
Share Premium				
As per last balance sheet		75 19 37 790		75 19 37 790
General Reserve				
As per last balance sheet	86 20 55 683		72 24 55 683	
Add : Adjustment on account of transitional provision on Employee Benefits (Refere Note B. 3 of Schedule 17)	4 65 67 686		—	
Transfer from Profit and Loss Account	9 00 00 000		13 96 00 000	
		99 86 23 369		86 20 55 683
Profit and Loss Account				
Surplus as per Profit and Loss Account		83 66 53 873		78 79 85 515
		2 58 72 15 032		2 40 19 78 988
(3) Deferred Tax Asset/(Liability)				
Deferred tax assets				
Excise and Sales Tax Provisions	5 08 92 690		3 46 90 656	
Payments made under Voluntary Retirement Scheme	33 03 335		1 17 78 882	
Other timing difference	8 58 08 468		91 17 900	
Total		14 00 04 493		5 55 87 438
Less : Deferred tax liability				
Depreciation	8 33 86 518		6 43 87 438	
Total		8 33 86 518		6 43 87 438
Deferred Tax Asset/(Liability) – Net		5 66 17 975		(88 00 000)

(4) Fixed Assets

Particulars	Gross Block at Cost				Depreciation/Amortization				Net Block	
	As at July 1, 2006 Rs.	Additions/ Transfers during the year Rs.	Deletions/ Transfers during the year Rs.	As at June 30, 2007 Rs.	As at July 1, 2006 Rs	For the Year Rs.	On Deletions/ Transfers Rs.	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.
Land – Freeholds – (Refer Note 2 below)	6 78 62 589	—	—	6 78 62 589	—	—	—	—	6 78 62 589	6 78 62 589
Land – Leasehold	1 72 00 709	—	—	1 72 00 709	1 35 48 351	1 76 035	—	1 37 24 386	34 76 323	36 52 358
Buildings, roads, irrigation channels	38 08 56 506	3 99 66 186	—	42 08 22 692	13 97 07 675	1 08 04 533	—	15 05 12 208	27 03 10 484	24 11 48 831
Plant and Machinery	66 41 35 656	30 78 56 476	28 18 283	96 91 73 849	34 98 69 492	5 88 50 863	16 36 601	40 70 83 754	56 20 90 095	31 42 66 164
Furniture and fixtures	1 40 43 501	1 72 52 947	2 92 265	3 10 04 183	1 18 24 087	99 23 696	2 34 220	2 15 13 563	94 90 620	22 19 414
Office equipment	11 14 82 820	1 08 35 311	8 62 655	12 14 55 476	8 85 91 495	88 48 358	8 62 655	9 65 77 198	2 48 78 278	2 28 91 325
Moulds and Dies	16 33 133	—	24 000	16 09 133	6 94 265	7 05 563	24 000	13 75 828	2 33 305	9 38 868
Vehicles	56 32 059	14 66 006	27 452	70 70 613	48 17 087	5 26 062	25 049	53 18 100	17 52 513	8 14 972
	1 26 28 46 973	**37 73 76 926**	**40 24 655**	**1 63 61 99 244**	**60 90 52 452**	**8 98 35 110**	**27 82 525**	**69 61 05 037**	**94 00 94 207**	65 37 94 521
Previous Year	1 78 02 81 391	37 05 46 341	88 79 80 759	1 26 28 46 973	98 95 74 553	7 91 51 385	45 96 73 486	60 90 52 452		
Capital work in progress (including advances on capital account)									33 47 42 410	29 18 15 982
									1 27 48 36 617	94 56 10 503

Notes:

1. Opening accumulated depreciation includes impairment on Land – Leasehold Rs 91 07 650 in 2002-03; on Buildings Rs. 7 49 86 109 in 2002-03; on Plant and Machinery Rs. 2 05 34 937 in 2002-03 and on Office Equipment Rs. 30 621 in 2002-03.
2. Land – Freehold includes Rs. 6 77 43 065 (Previous year Rs. 6 77 43 065) being the company's share (90%) of assets jointly owned with other parties.

Schedules forming part of the accounts

	As at June 30, 2007 Rs.	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.	As at June 30, 2006 Rs.
(5) Inventories (At lower of cost and net realisable value)				
Raw materials		7 19 63 940		9 39 11 474
Packaging materials		4 06 86 721		1 87 58 091
Stores and spare parts		4 06 95 093		2 81 86 755
Work-in-process		82 94 898		45 95 993
Finished goods		15 19 38 266		13 76 70 424
		31 35 78 918		28 31 22 737
(6) Sundry Debtors – Unsecured, considered good				
Debts outstanding for a period exceeding six months		25 81 050		2 51 632
Other debts		14 38 37 152		8 09 29 807
		14 64 18 202		8 11 81 439
Amount receivable on sale of Fixed Assets		—		65 00 000
		14 64 18 202		8 76 81 439
(Refer Note B. 11 of Schedule 17 – Dues from Companies under the same management)				
(7) Cash and Bank Balances				
Cash on hand		71 886		1 32 005
Bank balances with scheduled banks in :				
Current account		4 34 35 993		54 47 89 572
Deposit account*		24 88 70 000		1 91 26 70 000
		29 23 77 879		2 45 75 91 577
* includes Rs. 73 70 000 (Previous year Rs. 73 70 000) placed as security against guarantees provided by banks.				
(8) Other Current Assets				
Interest accrued on Loan to fellow subsidiary		3 49 44 863		—
Interest accrued on inter-corporate deposits		11 83 560		6 49 321
Interest accrued on bank deposits		7 39 368		1 99 65 477
		3 68 67 791		2 06 14 798
(9) Loans and Advances – Unsecured, considered good unless otherwise stated				
Loans and Advances recoverable in cash or in kind or for value to be received* (Refer Note B. 12 of Schedule 17)				
Considered Good		33 07 41 348		20 66 52 596
Considered Doubtful	3 16 34 216		3 16 34 216	
Less: Provisions for doubtful loans and advances	3 16 34 216	—	3 16 34 216	—
		33 07 41 348		20 66 52 596
Loan to fellow subsidiary (Refer Note B. 12 of Schedule 17)		1 58 20 00 000		—
Inter-corporate deposits		20 00 00 000		20 00 00 000
Other deposits		12 09 55 770		7 55 83 274
Balance with customs and excise		33 24 451		59 21 776
Advance Tax paid (Net of provisions Rs: 1 25 28 99 620. Previous Year: 63 07 46 982)		19 34 23 174		14 31 08 039
		2 43 04 44 743		63 12 65 685

* Includes
Housing loans to a director Rs. 1 06 11 987 (Previous year: Rs. 61 38 975)
Maximum balance outstanding during the year Rs. 1 10 00 000 (Previous year: Rs. 1 34 59 909)

Schedules forming part of the accounts

	As at June 30, 2007 Rs.	Rs.	As at June 30, 2006 Rs.	Rs.
(10) Current Liabilities				
Sundry creditors				
– Small Scale Industrial Undertakings (Refer Note B. 10 of Schedule 17)		2 08 814		–
– Others		75 42 85 467		65 17 83 969
Investor Education Protection Fund				
– Unclaimed dividends#		1 39 69 547		1 46 94 931
– Unclaimed matured debentures*		8 00 146		7 97 602
– Unclaimed debenture interest*		7 97 482		8 06 148
Other current liabilities		7 79 94 923		6 87 28 602
		84 80 56 379		73 68 11 252

* Out of the above, Rs. 7 96 854 has been credited to the Investor Education Protection Fund subsequent to the year ended June 30, 2007

\# There are no amounts due and outstanding to the Investor Education Protection Fund

	Rs.	Rs.	Rs.	Rs.
(11) Provisions				
Employee benefits		3 17 14 592		2 83 55 283
Proposed dividend		64 92 14 720		81 15 18 400
Corporate tax on dividend		11 03 34 042		11 38 15 456
		79 12 63 354		95 36 89 139

	2006 - 2007 Rs.	Rs.	2005 - 2006 Rs.	Rs.
(12) Other Income				
Interest on loans and deposits (gross) (tax deducted at source Rs. 1 97 72 271) (Previous year : Rs. 2 52 61 094)		11 46 08 253		12 06 86 137
Write-back of liabilities no longer required		—		44 36 43 648
Recovery of Research and Development and other charges		89 90 086		3 30 41 169
Exchange Gains (Net)		—		1 73 00 203
Business process outsourcing income		1 00 58 278		91 50 396
Profit on sale of long term investments		—		2 45 000
Miscellaneous Income		1 00 43 699		1 86 88 385
		14 37 00 316		64 27 54 938
(13) Decrease/(Increase) in finished goods and work-in-process				
Opening Balance				
Work-in-process	45 95 993		4 38 56 970	
Finished goods (including excise duty Rs. 25 17 681; Previous year Rs. 1 11 99 535)	13 76 70 424		22 91 69 558	
		14 22 66 417		27 30 26 528
Closing Balance				
Work-in-process	82 94 898		45 95 993	
Finished goods (including excise duty Rs. 99 37 830; Previous year Rs. 25 17 681)	15 19 38 266		13 76 70 424	
		16 02 33 164		14 22 66 417
		(1 79 66 747)		13 07 60 111

Schedules forming part of the accounts

	2006 - 2007 Rs.	Rs.	2005 - 2006 Rs.	Rs.
(14) Payments to and provisions for employees				
Salaries, wages and bonus		24 42 05 596		22 02 63 263
Contribution to provident and other funds		10 05 69 291		9 57 45 810
Staff welfare expenses		2 82 95 673		2 38 45 957
Less: Reimbursement of Salary and Benefits shared by group companies (Refer Note B. 18 of Schedule 17)		(8 07 15 211)		(5 22 04 656)
		29 23 55 349		28 76 50 374
(15) Operating and other expenses				
Consumption of Stores and spare parts		1 87 84 570		1 96 42 739
Rent (Refer Note B. 9 of Schedule 17)		1 74 53 121		1 11 72 216
Rates and Taxes				
Excise Duty (Refer Note B. 7 of Schedule 17)		74 20 149		(86 81 854)
Others		14 23 175		45 53 027
Insurance		26 96 649		52 77 302
Power and fuel		5 65 59 183		5 52 35 995
Repairs and maintenance:				
Plant and machinery		1 09 47 164		72 37 943
Buildings		13 27 618		6 75 315
Others		1 40 276		45 923
Processing charges		23 35 54 038		27 19 91 504
Auditor's remuneration:				
As Auditor	31 95 000		19 95 000	
Tax Audit and Certification	18 00 000		14 00 000	
Reimbursement of Out-of-pocket expenses	1 50 000		1 50 000	
Service Tax	6 35 922		4 33 908	
Total Auditor's remuneration:		57 80 922		39 78 908
Trade Incentives		22 12 49 788		20 14 05 848
Advertising expenses		57 95 33 013		51 99 46 499
Freight, transport, warehousing and distribution charges		37 23 86 190		29 56 18 077
Directors' sitting fees		1 70 000		3 10 000
Commission to directors		41 00 000		—
Royalty		27 03 39 340		24 48 24 317
Turnover and Resale Tax		10 32 88 428		6 74 19 478
Travelling, Conveyance and Vehicle expenses		7 74 89 343		7 45 66 859
Communications		3 80 77 468		1 82 11 504
Business process outsourcing expenses		7 34 92 759		16 59 98 336
Computer expenses		59 38 237		74 29 986
Loss on sale/scrapping of fixed assets (Net)		9 20 430		1 06 13 567
Exchange Loss (Net)		34 88 106		—
Distributor Coverage Expenses		18 73 43 007		14 25 62 538
Others		19 37 50 530		24 54 98 902
		2 48 76 53 504		2 36 55 34 929
Less: Reimbursement of Expenses shared by group companies (Refer Note B. 18 of Schedule 17)		(26 59 85 730)		(22 32 21 737)
		2 22 16 67 774		2 14 23 13 192
(16) Interest				
Short Term Bank Loans		80 083		8 72 050
Others		9 061		2 43 204
		89 144		11 15 254

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 in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

Use of estimates

The preparation and presentation of financial statements in conformity with Generally Accepted Accounting Principles requires making of estimates and assumptions that effect 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 year. Differences between the actual result and estimates are recognised in the year 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. Licence fee is accounted based on terms of the contract.

Fixed Assets and Depreciation/Amortisation

Fixed assets are stated at 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 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.

	Years
Buildings, roads and irrigation channels	20 - 30
Plant and machinery	5 - 18
Furniture and Fixtures	10 - 15
Office equipment	1 - 5
Moulds and Dies	1 - 3
Vehicles	4 - 8

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 period of the lease or management estimate whichever is lower.

Impairment of Assets

The Company assess 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 in the carrying amount 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 if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Investments

Investments are classified into current and long term investments. Current Investments are valued at lower of cost and fair value. Long term investments are stated at cost less provision, if any for other than temporary diminution in value.

Inventories

Inventories consist of raw and packing materials, stores and spares, work in progress and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of Inventories is determined on weighted average basis.

Schedules forming part of the accounts

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

– Provident Fund administered by the Regional Provident Fund Commissioner; and

– Superannuation Fund as per Company policy administered by Company managed trust.

(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 trust.

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.

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

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

Research and Development

Capital expenditure on Research and Development is capitalized as Fixed Assets. All revenue expenditure on Research and Development is charged off to the respective heads in the Profit and Loss Account in the year in which it is incurred.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated 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, except in the case of liabilities relating to acquisition of fixed assets from outside India, which are adjusted to the carrying cost of the concerned fixed asset.

Taxation

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

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 period in which they are incurred.

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.

Schedules forming part of the accounts

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. 35 70 68 262 (Previous Year : Rs. 32 34 40 795).

(ii) In respect of Sales tax matters for which the company has preferred appeals with appropriate authorities – Rs. 12 49 95 434 (Previous Year : Rs. 14 80 10 937).

(iii) In respect of Excise and Customs matters for which the company has preferred appeals with appropriate authorities – Rs. 38 84 58 021 (Previous Year : Rs. 71 20 26 659). These include Rs. 25 53 91 961 (Previous Year : Rs. 25 53 91 961) recoverable from a third party.

(iv) In respect of cheques/bills discounted with banks – Rs. Nil (Previous Year : Rs. 68 98 294).

(v) In respect of counter guarantees given to bank against guarantees given by bank : Rs. 6 01 12 579 (Previous Year : Rs. 16 82 11 783). 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.

(vi) In respect of other claims – Rs. 21 02 588 (Previous Year : Rs. 11 02 588).

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.

(vii) In respect of Corporate performance guarantee given to a third party Rs. 65 00 000 (Previous Year : Rs. Nil).

(b) Estimated amount of contracts remaining to be executed on capital account (net of advances) – Rs. 10 64 93 153 (Previous Year: Rs. 17 07 46 997).

2. During the previous year, pursuant to the approval of Board of Directors at their meeting held on July 11, 2005 and the approval of the members of the Company under Section 293(1)(a) in terms of Section 192A of the Companies Act, 1956, Detergent Manufacturing Business of the Company situated at Mandideep, Madhya Pradesh was transferred effective October 1, 2005 as a going concern from the Company to Procter & Gamble Home Products Limited, a wholly owned subsidiary of the Procter & Gamble Company, USA, for a consideration of Rs. 68 05 18 935 which included a gain of Rs. 4 72 34 468 as stated in the previous year under "profit from sale of undertaking". The business of Detergent manufacturing formed part of a separate business segment under AS 17 (Segment Reporting) under "Contract Manufacturing" prior to the transfer. The entire sale consideration was received in cash and the discontinuance of the business was completed by the balance sheet date of previous year i.e. June 30, 2006.

Pre-Tax gain/loss on the discontinued business and tax expense thereon was as under:

	2006-2007 Rs.	2005-2006 Rs.
Revenue	—	92 10 38 718
Operating expenses	—	87 01 63 465
Profit before tax	—	5 08 75 253
Profit on sale of detergent manufacturing business	—	4 72 34 468
Tax expense	—	3 30 23 732
Result	—	6 50 85 989

Net cash flows from discontinued Operating activities were Rs. 45 84 02 529 and Net cash provided by/(used in) Investing activities of discontinued operations were Rs. 68 15 89 936 in previous year.

Accordingly the figures of the current financial year are not directly comparable with those of the previous financial year.

3. **Employee Benefits :**

The Accounting Standard-15 (Revised 2005) 'Employee Benefits' issued by The Institute of Chartered Accountants of India has been adopted by the Company effective from July 1, 2006. In accordance with the above standard, the additional obligations of the Company, on account of employee benefits, based on independent actuarial valuation, amounting to Rs. 4 65 67 686 have been accounted by crediting the opening balance of the General Reserve as on July 1, 2006 as per transitional provisions of AS-15 (Revised 2005).

Schedules forming part of the accounts

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

I. Defined Contribution Plans

a. Provident Fund

b. Superannuation Fund

c. 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:

	Rs.
– Employer's Contribution to Provident Fund	2 95 61 493
– Employer's Contribution to Superannuation Fund	3 80 30 631
– Employer's Contribution to Employees' State Insurance	2 10 298

The above amounts are included in Contribution to Provident and other Funds (Refer Schedule 14)

II. Defined Benefit Plans

Contribution to Gratuity Fund (Funded Scheme) and contribution to Post Retirement Medical Benefit (PRMB) (Non-funded Scheme).

In accordance with Accounting Standard-15 (Revised 2005), actuarial valuation as at the year end was performed in respect of the aforesaid defined benefit plans based on the following assumptions:

Discount rate (per annum)	8.5%
Average Salary increase rate	8.0%
Rate of Return on Plan Assets (For funded scheme)	7.5%
Medical Inflation Rate	4.0%
Expected Retirement age of employees (years)	60

Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

(A) Changes in the Present Value of Obligation

	Funded Scheme Rs.	Non-Funded Scheme Rs.
Present Value of Obligation as at July 1, 2006	18 46 01 000	13 308 000
Interest Cost	1 56 41 000	1 156 000
Current Service Cost	1 33 21 000	312 000
Settlement Cost/(Credit)	—	—
Benefits Paid	(1 77 11 000)	(637 000)
Actuarial (gain)/loss on Obligations	90 99 000	113 000
Present Value of Obligation as at June 30, 2007	20 49 51 000	1 42 52 000

(B) Changes in the Fair Value of Plan Assets

(For Funded Scheme)

Fair Value of Plan Assets as at July 1, 2006	24 62 49 000
Expected Actual Return on Plan Assets	1 78 05 000
Actuarial Gains and (Losses)	(1 31 40 000)
Contributions	—
Benefits Paid	(1 77 11 000)
Assets Distributed on Settlement	—
Fair Value of Plan Assets as at June 30, 2007	23 32 03 000

(C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets

Present Value of funded Obligation as at June 30, 2007	20 49 51 000
Fair Value of Plan Assets as at June 30, 2007	23 32 03 000
Funded Status (Surplus)	(2 82 52 000)
Included in Loans and Advances (Refer Schedule 9)	
Present Value of unfunded Obligation as at June 30, 2007	1 42 52 000
Unrecognized Actuarial (gain)/loss	—
Unfunded liability/(Net Asset) recognized in Balance Sheet	1 42 52 000
Included in provisions (Refer Schedule 11)	

Schedules forming part of the accounts

	Funded Scheme Rs.	Non-Funded Scheme Rs.
(D) Amount recognized in the Balance Sheet		
Present Value of Obligation as at June 30, 2007	20 49 51 000	1 42 52 000
Fair Value of Plan Assets as at June 30, 2007	23 32 03 000	—
Liability/(Asset) recognized in the Balance Sheet	(2 82 52 000)	1 42 52 000
Unrecognized Past Service Cost	—	—
Included in Loans and advances (Refer Schedule 9) & provisions (Refer Schedule 11)		
(E) Expenses recognized in the Profit and Loss Account		
Current Service Cost	1 33 21 000	3 12 000
Past Service Cost	—	—
Interest Cost	1 56 41 000	11 56 000
Expected Return on Plan Assets	(1 78 05 000)	—
Curtailment cost/(credit)	—	—
Settlement cost/(credit)	—	—
Net actuarial (gain)/loss recognized in the period	2 22 39 000	1 13 000
Total Expenses recognized in the Profit and Loss Account	3 33 96 000	15 81 000
Included in Contribution to Provident and Other Funds (Refer Schedule 14)		

(F) Category of Plan Assets

The Company's Plan Assets are invested in the Government bonds

(G) Sensitivity of Results to Medical Inflation Rate

Medical Inflation Rate	Current Service + Interest Cost (Rs.)	Present Value of Defined Benefit Obligation (Rs.)
Effect of 1% increase (5%)	16 83 000	1 56 96 000
Effect of 1% decrease (3%)	13 08 000	1 31 52 000

This being the first year of implementation of AS - 15 (Revised), previous year figures have not been given.

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

	Rs.
Profit before Tax	1 45 49 51 782
Add: Managerial Remuneration	3 04 06 422
Add: Loss on sale of assets	9 20 430
Net profit u/s. 349 for the purpose of Directors' Commission	1 48 62 78 634
Maximum remuneration permissible to whole-time Directors under the Act at 10%	14 86 27 863
Total Managerial Remuneration charged to accounts	2 63 06 422
Commission payable to non-whole time Directors at 1%	1 48 62 786
Commission restricted as determined by the Board of Directors	41 00 000

Commission is payable w.e.f July 1, 2007. Hence previous year figures for computation of net profits in accordance with Section 349 of Companies Act, 1956 are not applicable.

Schedules forming part of the accounts

5. (a) Managerial Remuneration under Section 198 of the Companies Act, 1956 :

	2006-2007 Rs.	2005-2006 Rs.
Salary	2 22 48 885	2 20 49 669
Contribution to Provident Fund and other Funds (excluding gratuity)	16 60 768	15 35 780
Perquisites in cash or in kind	23 96 769	20 80 910
Commission to Non-Executive Directors	41 00 000	—
Total Managerial Remuneration	3 04 06 422*	2 56 66 359

The above includes remuneration paid to the Managing Director, subsequent to the date of re-appointment i.e. June 01, 2007 amounting to Rs. 7 98 765 which is subject to approval of the members of the Company at the ensuing Annual General Meeting of the Company.

* Refer to note B.16 below.

(b) The above Managerial Remuneration includes Rs. 1 86 96 379 cross charged to Gillette India Limited and Procter and Gamble Home Products Limited, w.e.f July 1, 2006 in terms of the common service agreement referred to in Note B. 18 below.

6. (a) Sales:

Class of Goods	Units	2006-2007 Quantity	2006-2007 Value Rs.	2005-2006 Quantity	2005-2006 Value Rs.
Ointments and Creams	Tonnes	1 050	1 10 77 41 732	1 001	1 00 45 79 915
Cough Drops	Tonnes	3 002	81 95 00 507	3 226	86 68 37 591
Liquids *	Kls.	49	14 40 28 374	150	14 54 13 832
Tablets	Millions	611	63 88 75 528	560	55 58 22 610
Personal Products, Toilet Preparations, etc.	Tonnes	7 504	2 81 93 55 076	6 747	2 28 96 27 699
Soaps and Detergents	'000 pcs.	—	—	5 66 082	1 10 52 23 859
			5 52 95 01 217		5 96 75 05 506

* includes Nil kls (Previous Year: 0.73 kls) given as trade incentives.

(b) Consumption of raw & packaging materials :

	Units	2006-2007 Quantity	2006-2007 Value Rs.	2005-2006 Quantity	2005-2006 Value Rs.
Chemicals, waxes and oils	Tonnes	17 966	96 72 68 945	41 251	1 19 59 49 275
Sugar and liquid glucose	Tonnes	3 314	6 40 24 897	3 909	6 47 40 734
Foils	Tonnes	831	5 96 22 872	781	11 44 46 649
Containers, cartons, boxes etc.	Millions	300	35 45 80 627	304	34 56 89 348
Others			—		72 053
			1 44 54 97 341		1 72 08 98 059

(c) Consumption of raw & packaging materials, stores & spares :

	2006-2007 Rs.	2006-2007 Percentage	2005-2006 Rs.	2005-2006 Percentage
Raw and packaging materials :				
Indigenously obtained	99 06 37 993	68.5	1 22 79 81 941	71.4
Imported at landed cost	45 48 59 347	31.5	49 29 16 118	28.6
	1 44 54 97 341	100	1 72 08 98 059	100
Stores and spare parts :				
Indigenously obtained	88 62 416	47.2	72 26 248	36.8
Imported at landed cost	99 22 154	52.8	1 24 16 491	63.2
	1 87 84 570	100	1 96 42 739	100

Schedules forming part of the accounts

(d) Opening and closing stock of Finished Goods :

	Units		Opening Quantity	Opening Value Rs.	Closing Quantity	Closing Value Rs.
Ointments and Creams	Tonnes	**2006-2007**	**43**	**2 01 34 864**	**67**	**2 91 49 105**
		2005-2006	37	1 79 99 273	43	2 01 34 864
Cough Drops	Tonnes	**2006-2007**	**287**	**3 05 63 790**	**166**	**1 71 40 863**
		2005-2006	162	1 06 40 595	287	3 05 63 790
Liquids	Kls.	**2006-2007**	**46**	**1 02 93 274**	**1**	**26 53 662**
		2005-2006	105	1 33 41 555	46	1 02 93 274
Tablets	Millions	**2006-2007**	**36**	**1 65 21 886**	**73**	**2 82 71 162**
		2005-2006	42	1 22 19 434	36	1 65 21 886
Personal Products, Toilet Preparations, etc.	Tonnes	**2006-2007**	**321**	**6 01 56 610**	**453**	**7 47 23 474**
		2005-2006	478	10 55 20 886	321	6 01 56 610
Soaps and Detergents	'000 pcs.	**2006-2007**	**—**	**—**	**—**	**—**
		2005-2006	32 366	6 94 47 815	—	—
Total		**2006-2007**		**13 76 70 424**		**15 19 38 266**
		2005-2006		22 91 69 558		13 76 70 424

(e) Purchase of Finished goods :

	Units	2006-2007 Quantity	2006-2007 Value Rs.	2005-2006 Quantity	2005-2006 Value Rs.
Personal Products, Toilet Preparations, etc.	Tonnes	**4 231**	**6 11 12 147**	4 330	8 80 09 540
			6 11 12 147		8 80 09 540

(f) Production in respect of Goods Manufactured – Licensed and installed capacities and actual production :

	Units of Measurement	Licensed 2006-2007	Licensed 2005-2006	Annual Capacity Installed (three shift basis) 2006-2007	Annual Capacity Installed (three shift basis) 2005-2006	Actual Production 2006-2007	Actual Production 2005-2006
Menthol	Tonnes	**147**	147	**—**	—	**—**	—
Dementholised Peppermint Oil	Tonnes	**147**	147	**—**	—	**—**	—
Formulations:							
Ointments & Creams	Tonnes	**3 495**	2 495	**11 213**	4 213	**1 074**	1 007
Cough Drops	Tonnes	**6 833**	4 333	**5 472**	—	**2 881**	3 351
Liquids	Kls.	**1 625**	1 619	**66**	—	**4**	91
Tablets	Millions	**960**	81	**960**	—	**648**	554
Powder	Tonnes	**35**	35	**—**	—	**—**	—
Personal Products, Toilet Preparations, etc.	Tonnes	**16 800**	12 500	**11 015**	10 133	**3 406**	2 260
Soaps & Detergents	Tonnes	**Not Applicable**	Not Applicable	**—**	—	**—**	26 317

Notes :

1. The installed capacities as at the year-end are as certified by the management.
2. Actual production includes production under manufacturing arrangement with third parties.
3. Since the manufacture of soaps and detergents are delicensed the Company has obtained registration from the Government of India for an annual capacity of 75000 tonnes in respect of detergents upto October 1, 2005.
4. Soaps & Detergents production for 2005-2006 includes 2742 tonnes of Bulk sent to contract locations for repacking.

Schedules forming part of the accounts

(g) Value of Direct Imports on C.I.F. basis (including in transit) :

	2006-2007	2005-2006
	Rs.	Rs.
Raw materials	41 43 42 158	48 65 59 765
Spare parts	99 22 154	1 24 16 491
Capital goods	3 45 24 207	14 49 80 924
	45 87 88 519	64 39 57 180

(h) Expenditure in foreign currency :

Royalty	27 03 39 340	24 48 24 317
Travel	1 27 69 413	1 02 44 663
Professional Consultancy fees	5 19 897	2 59 858
Computer expenses	58 02 659	69 46 108
Business Process outsourcing expenses	7 34 92 759	16 59 98 336
Other matters	16 72 818	20 83 870
	36 45 96 886	43 03 57 152

(i) Remittance made on account of dividend in foreign currency during the year :

Number of non-resident shareholders	2	2
Number of equity shares on which dividend were paid	2 23 10 090	2 23 10 090
Dividend remitted-net of tax-in respect of year ended :		
June 30, 2006 Final (Rs.)	55 77 52 250	—
June 30, 2005 Final (Rs.)	—	89 24 03 600

(j) Earnings in foreign exchange :

	Rs.	Rs.
Business process outsourcing income	1 00 58 278	91 50 396
Compensation received	—	65 01 455
Research & Development and other cross charges	89 90 086	3 30 41 169
Exports of goods calculated on f.o.b. basis (excludes Rupee exports to Nepal and Bhutan Rs. 1 83 07 887 – Previous year Rs. 1 44 10 847)	55 23 599	1 97 27 451
Others (freight, insurance etc.)	6 42 021	22 45 422
	2 52 13 984	7 06 65 893

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

Schedules forming part of the accounts

8. Foreign currency exposures as on June 30, 2007 that have not been hedged by the company by a derivative instrument or otherwise are given below:

	Currency	As at June 30, 2007	As at June 30, 2006
(a) Amounts receivable in foreign currency			
Export of goods	Rs.	17 36 334	9 70 603
	USD	37 283	21 159
Reimbursable expenses receivable	Rs.	2 35 98 907	3 90 51 313
	USD	5 87 732	8 51 319
Capital and Spares	Rs.	17 41 297	—
	EUR	29 558	—
	JPY	56 000	—
(b) Amounts payable in foreign currency			
Import of goods and services	Rs.	4 33 16 852	1 69 97 721
	USD	5 79 492	14 689
	EUR	2 16 856	2 59 639
	SGD	2 94 000	39 411
	JPY	1 42 284	—
Reimbursable expenses payable	Rs.	55 40 382	5 30 20 871
	USD	1 35 743	10 13 580
	SGD	—	3 303
	PHP	—	27 26 501
Capital and Spares	Rs.	29 90 693	19 43 615
	JPY	74 66 826	47 81 521
	USD	12 736	—
Package Fee payable	Rs.	5 30 64 613	4 97 19 114
	USD	13 05 920	10 83 877

9. The Company's significant leasing arrangements are in respect of leave and licence for residential premises for its employees. These leave and licence agreements are terminable by giving three months notice and the period ranges between 11 months and 33 months and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals payable are charged as Rent under Schedule 15 – Operating and other expenses.

10. There are no dues outstanding to any small scale industrial undertaking for more than 30 days, as on June 30, 2007.

The Company has initiated the process of obtaining confirmations from the "suppliers" who have registered under the Micro Small Medium Enterprise Development Act, 2006 (MSMEDA) which came into effect from October 2, 2006.

Based on the information received by the Company, there are no dues outstanding to suppliers under the MSMEDA as on June 30, 2007.

The above information regarding small scale industrial undertakings and MSME has been determined to the extent such parties have been identified on the basis of information available to the company, and relied by the Auditors.

11. Sundry Debtors include amount due from companies under the same management as under :

	As at June 30, 2007 Rs.	As at June 30, 2006 Rs.
Procter & Gamble Bangladesh Pvt. Ltd.	2 974	9 70 603
Procter & Gamble Sri Lanka Pvt. Ltd.	15 14 961	—
Procter & Gamble International Operations Pte. Ltd.	20 743	—
	15 38 678	9 70 603

Schedules forming part of the accounts

12. Loans and Advances include amount due from companies under the same management as under :

	As at June 30, 2007 Rs.	Maximum Balance Rs.	As at June 30, 2006 Rs.	Maximum Balance Rs.
Procter & Gamble Asia Pte Ltd.	2 16 28 529	2 16 28 529	21 14 074	44 61 637
Procter & Gamble Company, USA	—	67 28 345	67 28 345	1 27 10 097
The Procter & Gamble Manufacturing Co.	18 93 336	18 93 336	98 58 633	98 58 633
Procter & Gamble Distributing Company	—	43 803	37 801	37 801
Procter & Gamble US Business Services Company	3 17 091	3 17 091	1 17 540	1 17 540
Procter & Gamble Eastern Europe LLC	—	9 65 650	9 65 650	9 65 650
Procter & Gamble Australia Pty Ltd.	—	1 17 008	90 003	90 003
Procter & Gamble (Guangzhou) Ltd.	7 66 702	13 58 553	13 58 553	13 90 024
Procter & Gamble (Manufacturing) Ireland Ltd.	—	1 04 147	1 04 147	6 39 522
Procter & Gamble UK	—	85 768	85 768	85 768
Procter & Gamble Home Products Ltd.	1 70 43 45 883	1 70 43 45 883	5 23 02 312	51 21 77 505
Procter & Gamble Philippines Inc.	—	1 32 485	1 32 485	1 32 485
Procter & Gamble Kabushiki Kaisha	—	6 04 272	6 04 272	8 60 601
Procter & Gamble Europe N.V.	—	2 10 268	2 10 268	8 93 188
Procter & Gamble Far East Inc.	—	1 68 468	1 60 956	9 58 834
Procter & Gamble International Operations Pte Ltd.	—	1 23 57 284	1 23 57 284	1 23 57 284
Procter & Gamble International Operations SA	—	15 80 216	15 80 216	15 80 216
Procter & Gamble Korea S&D Co.	—	86 409	86 403	1 11 890
Procter & Gamble Malaysia Sdn. Bhd	—	1 13 708	98 396	1 59 290
Procter & Gamble Manufacturing (Thailand) Ltd	20 50 000	20 50 000	15 49 135	15 49 135
Procter & Gamble Singapore Pte Ltd.	—	97 073	97 073	3 04 227
Procter & Gamble Sri Lanka Pvt. Ltd.	—	62 139	62 139	62 139
Procter & Gamble Technical Centers Ltd.	—	85 540	85 540	5 32 438
Procter & Gamble Technology (Beijing) Co.	5 54 415	5 54 415	—	3 79 246
Procter & Gamble Vietnam Ltd.	—	1 38 002	1 18 804	1 18 804
Procter & Gamble Trading (Thailand) Ltd.	—	67 505	52 502	80 689
Procter & Gamble (Changdu) Ltd.	—	2 40 574	—	86 024
Gillette India Limited	7 41 71 701	7 41 71 701	—	—
Wella India Hair Cosmetics Pvt. Ltd.	16 64 975	16 64 975	—	4 60 00 000
Procter & Gamble Tuketim Mallari Sanayl	—	3 95 323	3 95 323	11 59 026
	1 80 73 92 633		9 13 53 625	

Schedules forming part of the accounts

13. Related Party Disclosures:

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

(a) Parties where control exists :

The Procter and Gamble Company, USA – Holding Company

(b) Other related parties with whom transactions have taken place during the year

(i) Fellow Subsidiaries :

Procter & Gamble Home Products Ltd.
Procter & Gamble Malaysia Sdn. Bhd.
Procter & Gamble Manufacturing (Thailand) Ltd.
Procter & Gamble Sri Lanka Pvt. Ltd.
Procter & Gamble (Changdu) Ltd.
Procter & Gamble Asia Pte. Ltd.
Procter & Gamble Australia Pty. Ltd.
Procter & Gamble US Business Services Company
Procter & Gamble International Operations Pte Ltd.
Procter & Gamble Northeast Asia Pte Ltd.
Procter & Gamble International Operations SA
Gillette India Limited
Procter & Gamble Singapore Pte. Ltd.
Gillette Diversified Operations Private Limited
Procter & Gamble Panda Detergent Ltd., Beijing
Procter & Gamble Tuketim Mallari Sanayl
Procter & Gamble (Guangzhou) Ltd.
Procter & Gamble UK
Procter & Gamble Product Supply (UK) Ltd.
Procter & Gamble Technology (Beijing) Co.
Procter & Gamble Vietnam Ltd.
Procter & Gamble Kabushiki Kaisha
Procter & Gamble Far East Inc.
Procter & Gamble Korea Inc.
Procter & Gamble S.A. Chile
P&G (East Africa) Ltd.
PT P&G Home Products Indonesia
Procter & Gamble Korea S&D Co.
Procter & Gamble Philippines Inc.
Procter & Gamble Technical Centers Ltd.
Procter & Gamble Trading (Thailand) Ltd.
Procter & Gamble Bangladesh Pvt. Ltd.
Procter & Gamble Manufacturing Company
Procter & Gamble Europe N.V.
Wella India Hair cosmetics Pvt. Ltd.
Procter & Gamble Eastern Europe LLC
Procter & Gamble (Manufacturing) Ireland Ltd.
Procter & Gamble distributing Company
Procter & Gamble Taiwan Ltd.
Rosemount Corporation
P&G Ceemea – A Division of P&G International Operations SA

(ii) Key Managerial Personnel of the Company		**No. of shares held**
Mr. Shantanu Khosla	Managing Director	67 (Previous year 67)
Mr. Ashok Chhabra	Executive Director (Up to July 17, 2007)	Nil (Previous year Nil)

(iii) Relatives of key management personnel

Mrs Promila Chhabra wife of Mr Ashok Chhabra (holding 775 shares; Previous year 775 shares) received dividends as declared by the Company.

Schedules forming part of the accounts

(c) Transactions during the year

(Amount in Rs.)

Nature of transactions		Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Sales & Income						
Goods						
– Procter & Gamble Sri Lanka Pvt. Ltd.	2006-2007	—	35 91 650	—	—	35 91 650
– Procter & Gamble Bangladesh Pvt. Ltd.	2006-2007	—	12 62 292	—	—	12 62 292
– Others	2006-2007	—	7 74 903	—	—	7 74 903
– Procter & Gamble Home Products Ltd.	2005-2006	—	1 23 14 30 857	—	—	1 23 14 30 857
– Others	2005-2006	—	2 19 71 344	—	—	2 19 71 344
Compensation received						
– Procter & Gamble International Operations Pte. Ltd.	2005-2006	—	65 01 455	—	—	65 01 455
Relocation and other reimbursements						
– Procter & Gamble Home Products Ltd.	2006-2007	—	28 20 55 462	—	—	28 20 55 462
– Gillette India Ltd.	2006-2007	—	17 04 42 053	—	—	17 04 42 053
– Others	2006-2007	1 14 51 576	1 55 89 491	—	—	2 70 41 067
– Procter & Gamble Home Products Ltd.	2005-2006	—	47 79 37 135	—	—	47 79 37 135
– Others	2005-2006	1 43 50 981	3 79 36 176	—	—	5 22 87 157
Business Process Outsourcing income						
– Procter & Gamble Asia Pte. Ltd.	2006-2007	—	1 00 58 278	—	—	1 00 58 278
– Procter & Gamble Asia Pte. Ltd.	2005-2006	—	91 50 396	—	—	91 50 396
Retirals reimbursements						
– Procter & Gamble (Guangzhou) Ltd.	2006-2007	—	22 91 892	—	—	22 91 892
– The P&G Company, USA	2006-2007	21 96 670	—	—	—	21 96 670
– Procter & Gamble Manufacturing (Thailand) Ltd.	2006-2007	—	19 10 335	—	—	19 10 335
– Others	2006-2007	—	73 95 679	—	—	73 95 679
– Procter & Gamble (Guangzhou) Ltd.	2005-2006	—	26 21 848	—	—	26 21 848
– Procter & Gamble Asia Pte. Ltd.	2005-2006	—	14 72 603	—	—	14 72 603
– Others	2005-2006	24 66 845	85 54 414	—	—	1 10 21 259
Reimbursement of expenses shared by group cos.						
– Procter & Gamble Home Products Ltd.	2006-2007	—	30 78 02 153	—	—	30 78 02 153
– Gillette India Limited	2006-2007	—	4 00 22 670	—	—	4 00 22 670
– Procter & Gamble Home Products Ltd.	2005-2006	—	27 54 26 393	—	—	27 54 26 393
Transfer of detergent manufacturing business						
– Procter & Gamble Home Products Ltd.	2005-2006	—	68 05 18 935	—	—	68 05 18 935
Interest income						
– Procter & Gamble Home Products Ltd.	2006-2007	—	3 49 44 863	2 07 311	—	3 51 52 174
– Wella India Hair Cosmetics Pvt. Ltd.	2005-2006	—	3 77 233	2 52 990	—	6 30 223
Loans Given						
– Procter & Gamble Home Products Ltd.	2006-2007	—	1 58 20 00 000	—	—	1 58 20 00 000
– Others	2006-2007	—	—	1 10 00 000	—	1 10 00 000
Loans Repaid						
– Others	2006-2007	—	—	60 18 721	—	60 18 721
– Wella India Hair Cosmetics Pvt. Ltd.	2005-2006	—	4 60 00 000	—	—	4 60 00 000
Purchases & Expenses						
Goods						
– Procter & Gamble International Operations SA	2006-2007	—	9 11 36 185	—	—	9 11 36 185
– Procter & Gamble International Operations Pte. Ltd.	2006-2007	—	6 57 66 159	—	—	6 57 66 159
– Others	2006-2007	—	88 10 023	—	—	88 10 023
– Procter & Gamble International Operations SA	2005-2006	—	5 19 69 740	—	—	5 19 69 740
– Procter & Gamble International Operations Pte. Ltd.	2005-2006	—	2 36 31 250	—	—	2 36 31 250
– Others	2005-2006	—	1 21 87 322	—	—	1 21 87 322
Royalty	2006-2007	27 03 39 340	—	—	—	27 03 39 340
	2005-2006	24 48 24 317	—	—	—	24 48 24 317
Assets/Spares						
– Procter & Gamble Kabushiki Kaisha	2006-2007	—	55 59 293	—	—	55 59 293
– Procter & Gamble Kabushiki Kaisha	2005-2006	—	70 22 165	—	—	70 22 165
– Others	2005-2006	—	42 163	—	—	42 163
Business Process Outsourcing expenses						
– Procter & Gamble Asia Pte. Ltd.	2006-2007	—	7 34 92 759	—	—	7 34 92 759
– Procter & Gamble Asia Pte. Ltd.	2005-2006	—	16 59 98 336	—	—	16 59 98 336
Relocation and other reimbursements						
– Procter & Gamble Home Products Ltd.	2006-2007	—	11 26 51 860	—	—	11 26 51 860
– Others	2006-2007	32 95 078	76 76 952	—	—	1 09 72 030
– Procter & Gamble Home Products Ltd.	2005-2006	—	8 51 14 389	—	—	8 51 14 389
– Others	2005-2006	2 10 502	1 86 13 153	—	—	1 88 23 655
Reimbursement of expenses shared by group cos.						
– Gillette India Limited	2006-2007	—	47 14 509	—	—	47 14 509
	2005-2006	—	—	—	—	—
Remuneration (Refer Note B. 5 & B. 16)						
– S. Khosla	2006-2007	—	—	1 42 03 215	—	1 42 03 215
– A. Chhabra	2006-2007	—	—	1 21 03 207	—	1 21 03 207
– S. Khosla	2005-2006	—	—	1 34 38 975	—	1 34 38 975
– A. Chhabra	2005-2006	—	—	1 22 27 384	—	1 22 27 384
Dividend Remitted/Paid	2006-2007	53 05 48 825	2 72 03 425	1 675	19 375	55 77 73 300
	2005-2006	84 88 78 120	4 35 25 480	2 680	31 000	89 24 37 280

Schedules forming part of the accounts

(d) Outstandings

(Amount in Rs.)

Nature of transactions		Holding Company	Fellow Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Total
Payable						
– Procter & Gamble Home Products Ltd.	**as on June 30, 2007**	**—**	**5 35 67 038**	**—**	**—**	**5 35 67 038**
– The P&G Company, USA	**as on June 30, 2007**	**5 66 75 780**	**—**	**—**	**—**	**5 66 75 780**
– Others	**as on June 30, 2007**	**—**	**2 87 37 663**	**—**	**—**	**2 87 37 663**
– Procter & Gamble Home Products Ltd.	as on June 30, 2006	—	3 29 51 056	—	—	3 29 51 056
– Procter & Gamble Asia Pte. Ltd.	as on June 30, 2006	—	4 48 19 903	—	—	4 48 19 903
– Others	as on June 30, 2006	5 00 49 389	1 71 56 217	—	—	6 72 05 606
Receivables/Loans						
– Procter & Gamble Home Products Ltd.	**as on June 30, 2007**	**—**	**1 70 43 45 883**	**—**	**—**	**1 70 43 45 883**
– Gillette India Limited	**as on June 30, 2007**	**—**	**7 41 71 701**	**—**	**—**	**7 41 71 701**
– Others	**as on June 30, 2007**	**—**	**2 68 02 069**	**1 06 11 987**	**—**	**3 74 14 056**
– Procter & Gamble Home Products Ltd.	as on June 30, 2006	—	5 23 02 312	—	—	5 23 02 312
– The P&G Manufacturing Co.	as on June 30, 2006	—	98 58 633	—	—	98 58 633
– Procter & Gamble International Operations Pte. Ltd.	as on June 30, 2006	—	1 23 57 284	—	—	1 23 57 284
– Others	as on June 30, 2006	67 28 345	70 02 650	61 38 975 (Refer Note below)	—	1 98 69 970

Note: Loan details of key management personnel	**2006-2007**	2005-2006
Opening balance as on July 1	**61 38 975**	64 58 753
New loan to key Managerial personnel	**1 10 00 000**	—
Amount repaid during the year	**—**	—
Principal	**65 26 988**	3 19 778
Interest	**2 07 311**	2 52 990
Closing balance as on June 30	**1 06 11 987**	61 38 975

14. Segment Information

Pursuant to the sale of detergent manufacturing business as mentioned in Note B.2 above, the Company ceases to exist in the Contract Manufacturing segment and in the current year it is only operating in a single reportable business segment – Business of Manufacturing and Marketing of Health and Hygiene Products and one Geographical segment, i.e. within India.

Segment Information in respect of previous year is as under:

(a) Primary Segment Information (by Business Segments)

	2005-2006 Rs.
Segment Revenue – net of excise	
– Health and Hygiene Products	4 73 66 98 803
– Contract Manufacturing (Discontinued operation)	93 05 56 603
Total Segment Revenue	5 66 72 55 406
Segment Results (Profit before interest and tax)	
– Health and Hygiene Products	1 63 51 09 511
– Contract Manufacturing (Discontinued operation)	5 13 53 648
Total Segment Results	1 68 64 63 159
Less : Interest Expense	11 15 254
Add : Unallocable income net of other unallocable expenditure	24 80 85 603
Total Profit Before Tax	1 93 34 33 508
Segment Assets	
– Health and Hygiene Products	1 19 44 95 055
– Contract Manufacturing(Discontinued operation)	—
– Unallocated Corporate Assets	3 23 60 91 684
Total	4 43 05 86 739

Schedules forming part of the accounts

	2005-2006 Rs.
Segment Liabilities	
– Health and Hygiene Products	10 59 73 730
– Contract Manufacturing (Discontinued operation)	—
– Unallocated Corporate Liabilities	1 59 80 26 661
Total	1 70 40 00 391
Capital Expenditure	
– Health and Hygiene Products	53 75 68 104
– Contract Manufacturing (Discontinued operation)	—
– Unallocated	2 52 37 012
Total	56 28 05 116
Depreciation	
– Health and Hygiene Products	5 72 29 447
– Contract Manufacturing (Discontinued operation)	1 14 71 963
– Unallocated	1 04 49 975
Total	7 91 51 385

(b) Secondary Segment Information (by Geographic Segments)

	2005-2006 Rs.
Segment Revenue – net of excise	
– Within India	5 63 08 71 686
– Outside India	3 63 83 720
Total	5 66 72 55 406
Segment Assets	
– Within India	4 39 04 84 410
– Outside India	4 01 02 329
Total	4 43 05 86 739
Capital Expenditure	
– Within India	56 28 05 116
– Outside India	—
Total	56 28 05 116

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) With the transfer of its detergent manufacturing business to Procter and Gamble Home Products Limited, a 100% subsidiary of the Procter and Gamble Company, USA effective from October 1, 2005, the company has become a single segment company in the business of manufacturing and marketing of Health and Hygiene Products, in terms of AS-17 – 'Segment Reporting'.

Schedules forming part of the accounts

Details of type of products included in each segment :

(1) Health and Hygiene Products – Ointments & Creams, Cough Drops, Liquids, Tablets, Personal Products and Toilet Preparations.

(2) Contract Manufacturing – Detergents (since discontinued) (Refer Note B. 2).

(3) Unallocable Corporate assets include Cash and Bank balances, Debtors and Loans and Advances.

(4) Unallocable Corporate liabilities include Creditors and Provisions.

15 (a) International Stock Ownership Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has a "International Stock Ownership Plan" (employee share purchase plan) whereby all permanent employees of the Company have been given a right to purchase shares of the Company. Every employee who opts for the scheme contributes up to a specified percentage (upto 15%) of his base salary towards purchase of shares on a monthly basis. The Company contributes 50% of employee's contribution (restricted to 2.5% of his base salary). Such contribution is charged to staff cost.

The shares of 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. Accordingly as a result of adoption of the Intrinsic Value Method, no stock compensation expense has arisen during the year. During the year ended June 30, 2007, 3537.01 shares were purchased by employees at weighted average fair value of Rs. 2776 per share.

The Company's contribution during the period on such purchase of shares amounting to Rs. 25 28 642 has been charged to the Profit and Loss Account.

15 (b) Employees Stock Options Plan (Stocks of the Parent Company)

The Procter and Gamble Company, USA has a "Employee Stock Option Plan" whereby the employees covered by the plan are granted an option to purchase shares of the Parent Company i.e. The Procter and Gamble Company, USA at a fixed price (grant price) for a fixed period of time. The shares of The Procter & Gamble Company, USA are listed with Securities Exchange Commission of USA. The options 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 year. The Grants issued are vested after 3 years and have a 10 years life cycle.

Fair Value of shares at Grant date	**28-Feb-07**	**$63.49**
Exercise Price	**Same as above**	

The other disclosures in respect of the plans for the year ended June 30, 2007 are:

	Shares arising out of option	Amount in USD	Remaining Contractual life
Outstanding at the beginning of the period	22 121	60.50	9 years
Granted during the year ended June 30, 2007:	26 182	63.49	10 years
Forfeited during the year	—	—	
Transferred during the year	—	—	
Exercised during the year	—	—	
Expired during the year	—	—	
Outstanding at the end of the year	48 303	61.19	9.2 years
Exercisable at the end of the year	—	—	

16. In terms of rules applicable to the employees whose services have been seconded to Procter & Gamble subsidiaries abroad, Rs. 26 26 335 (Previous year Rs. 20 07 000) has been contributed to Provident Fund/ Superannuation trusts in respect of Mr. P. Agarwal and Mr. A. Chhabra, who are the directors of the Company as on June 30, 2007.

Also in terms of rules applicable to the employees retiring after the age of 50, Rs. 14 100 (Previous year Rs. 13 895) has been paid during the year as reimbursement of medical expenses to Mr. B.V.Patel, who is currently a director of the Company.

As these payments have been made in the capacity of a seconded employee/retired employee and not related to their directorship, provisions of Sections 198, 309, 310 and 314 of the Companies Act, 1956 are not applicable. Legal opinion confirms this position. Thus the same has not been considered as managerial remuneration.

		2006-2007 Rs.		2005-2006 Rs.
17. Earnings per share (EPS)				
Calculation of Basic and diluted earnings per share after exceptional items (Rs.)				
Profit After Taxation		**89 82 17 120**		1 39 51 23 508
Weighted average number of equity shares outstanding for Basic / Diluted EPS		**3 24 60 736**		3 24 60 736
Nominal value of equity per share		**10**		10
Basic / Diluted Earnings per share		**27.67**		42.98
Calculation of Basic and diluted earnings per share before exceptional items (Rs.)				
Profit After Taxation		**89 82 17 120**		1 39 51 23 508
Less: Exceptional items – Income				
– Profit on sale of detergent manufacturing business	—		4 72 34 468	
– Profit on sale of property	—		2 60 86 611	
– Tax on exceptional items	—	—	(2 46 79 875)	4 86 41 204
Profit after Taxation but before Exceptional items		**89 82 17 120**		1 34 64 82 304
Weighted average number of equity shares outstanding for Basic / Diluted EPS		**3 24 60 736**		3 24 60 736
Nominal value of equity per share		**10**		10
Basic / Diluted Earnings per share		**27.67**		41.48

18. Common service expenses paid/recovered include payments/recoveries on account of finance, personnel, secretarial, administration and planning services rendered under common services agreements with Procter and Gamble Home Products Limited and Gillette India Limited.

19. Previous year's figures have been regrouped / rearranged wherever considered necessary.

Signatures to Schedules 1 to 17

As per our report of even date attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

K. A. Katki
Partner

Mumbai, August 25, 2007

For and on behalf of Board of Directors

B. V. Patel
Chairman

S. Khosla
Managing Director

Directors :

B. S. Mehta
R. A. Shah
D. Acharya

Sachin Harlalka
Company Secretary

V. S. Bhat
Finance Manager

Mumbai, August 24, 2007

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956. For the year ended June 30, 2007

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details :

Registration No.	11-12971
State Code	011
Balance Sheet Date	June 30, 2007

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

III. Position of Mobilisation and Deployment of Funds

	Amount (In Rs. Thousands)
Total Liabilities	2 91 18 22
Total Assets	2 91 18 22
Sources of Funds :	
Paid-up Capital	32 46 07
Reserves & Surplus	2 58 72 15
Secured Loans	Nil
Unsecured Loans	Nil
Application of Funds :	
Net Fixed Assets	1 27 48 37
Investments	Nil
Net Current Assets	1 58 03 68
Misc. Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of Company

Turnover & other income	5 54 75 42
Total Expenditure (including Exceptional items)	4 09 25 90
Profit Before Tax	1 45 49 52
Profit After Tax	89 82 17
Earning Per Share (Rs.)	27.67
Dividend Rate	200%

V. Generic Names of Two Principal Products/Service of Company

(as per monetary terms)

Item Code No. (ITC Code)	5601.10
Product Description	Feminine Hygiene Products
Item Code No. (ITC Code)	3003.39
Product Description	Ointment

P&G Global Sustainability

Improving quality of life, now and for generations to come

P&G is committed to helping to solve the world's sustainability challenges. We do this through product innovations that enhance and improve environmental profile with no performance and value trade-offs. We do this by reducing the environmental footprint of our operations. And we do this through our contributions to helping children in need. We know companies like P&G can be a force for good in the world. This is a responsibility and an opportunity that we embrace.

— A. G. Lafley
Chairman of the Board, President and Chief Executive
The Procter & Gamble Company, USA

We are inspired and motivated by the world's sustainability challenges and are committed to using our technologies, human capital, global scale and experience to ensure a sustainable world now and for generations to come.

One example of how we are committed to this effort is through our global cause, P&G Live, Learn and Thrive™, which focuses on improving life for children in need from birth to age 13.

Procter & Gamble Hygiene and Health Care Limited

REGISTERED OFFICE:
P&G PLAZA, CARDINAL GRACIAS ROAD, CHAKALA, ANDHERI (EAST), MUMBAI-400 099.
TEL: (91-22) 2826 6000 • FAX: (91-22) 6693 9696

Thomson Press

Procter & Gamble Hygiene and Health Care Limited

Registered Office : P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai - 400 099

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 Forty-third ANNUAL GENERAL MEETING at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Friday, October 12, 2007, at 3.30 p.m.

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

Members Folio Number ....

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

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

CUT HERE

Procter & Gamble Hygiene and Health Care Limited

Registered Office : P&G Plaza, Cardinal Gracias Road, Chakala, Andheri (East), Mumbai - 400 099

PROXY FORM

Folio No. ....

I / We .... of ....

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

of Procter & Gamble Hygiene and Health Care 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 Forty-third ANNUAL GENERAL MEETING of the Company to be held at Patkar Hall, S.N.D.T. University, 1, Nathibai Thackersey Road, Mumbai 400 020 on Friday, October 12, 2007, at 3.30 p.m. and at any adjournment thereof.

Signed this .... day of .... , 2007

Signature .... Re. 1.00 Revenue Stamp ....

Note: The Proxy Form duly completed and signed and should be deposited at the Registered Office of the Company not later than 48 hours before the time of the meeting.