

COLGATE-PALMOLIVE (INDIA) LIMITED

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CS				DPY	
RO				DIV	
TRA				AC	
AGM				SH	
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ANNUAL REPORT 1997-98

MEETING EVOLVING CONSUMER NEEDS

The advertisement features three boxes of Colgate toothpaste, each with a stylized wave graphic above it, set against a background of a collage of smiling people's faces. The boxes are arranged diagonally from top-left to bottom-right.

- Top Box:** Colgate Dental Cream. The box is dark with the Colgate logo in large white letters. Below the logo, it says "Dental Cream".
- Middle Box:** Colgate Fresh Stripe. The box is dark with the Colgate logo in large white letters. Below the logo, it says "TOOTH PASTE" and "LONG LASTING FRESH BREATH". The "Fresh Stripe" logo is prominently displayed on the right side of the box.
- Bottom Box:** Colgate Total. The box is dark with the Colgate logo in large white letters. Below the logo, it says "TOOTH PASTE" and "LONG LASTING PROTECTION... FOR UP TO 12 HOURS". The "Total" logo is prominently displayed on the right side of the box.

The background collage consists of several black and white photographs of people of various ages and ethnicities, all smiling and showing their teeth, emphasizing the theme of oral health and consumer satisfaction.



Notice

NOTICE is hereby given that the Fifty-seventh Annual General Meeting of COLGATE-PALMOLIVE (INDIA) LIMITED will be held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020 on Wednesday, September 16, 1998 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at March 31, 1998 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare a final dividend.
3. To appoint a Director in place of Mr. R. A. Shah who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. K. Ghosh who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that Mr. T. C. T. Hsu be and is hereby appointed a Director of the Company."
6. To appoint Auditors and to fix their remuneration.

By Order of the Board

K. V. Vaidyanathan
Whole-time Director
& Company Secretary

July 31, 1998

Registered Office:
Apeejay House
3, Dinshaw Vachha Road
Mumbai 400 020

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement under Section 173 of the Companies Act, 1956 in respect of item No. 5 to be transacted at the Meeting is appended hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, August 21, 1998 to Wednesday, September 16, 1998 (both days inclusive).
4. The dividend, if declared at the forthcoming Annual General Meeting, will be payable on or about October 7, 1998 to those shareholders whose names are registered in the Register of Members of the Company as on September 16, 1998.
5. Share transfer documents and all correspondence relating thereto, should be addressed to the Registrars and Share Transfer Agents of the Company, Messrs. Sharepro Services, 912, Raheja Centre, Free Press Journal Marg, Nariman Point, Mumbai 400 021.
6. Members are requested to notify immediately any change in their addresses to the Registrars and Share Transfer Agents of the Company, at the above address.



7. With a view to providing protection against fraudulent encashment of dividend warrants, the members were requested in the past to provide their bank account numbers, names and addresses of the bank branches to enable the Company to incorporate the said details in the dividend warrants. Those members who have not yet provided such information are again requested to provide these details quoting their folio numbers to enable the Company to incorporate the same in the dividend warrants that may be issued in future. The shareholders will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.
8. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Registrars and Share Transfer Agents of the Company enclosing their share certificates to enable them to consolidate their shareholding in one folio.
9. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the Third Interim Dividend for 1994-95 paid by the Company on April 28, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount by submitting an application in Form No. II to the Office of the Registrar of Companies, Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Kala Chowkie, Mumbai 400 033.

Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956

Item 5

Mr. T. C. T. Hsu was appointed an Additional Director by the Board of Directors of the Company ("the Board") effective July 1, 1998. Pursuant to Section 260 of the Companies Act, 1956 ("the Act"), Mr. Hsu holds office only upto the date of the 57th Annual General Meeting of the Company. Mr. Hsu is the General Counsel of the Asia Pacific Division, Colgate-Palmolive Co., USA. Due notice under Section 257 of the Act has been received from a member proposing the appointment of Mr. Hsu as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. The Board has no hesitation in commending his appointment.

None of the Directors, except Mr. Hsu, is concerned or interested in the resolution at item No. 5.

By Order of the Board

K. V. Vaidyanathan
Whole-time Director
& Company Secretary

July 31, 1998

Registered Office:
Apeejay House
3, Dinshaw Vachha Road
Mumbai 400 020

Board of Directors

S. Peter Dam	Chairman
R. A. Shah	Vice-Chairman
P. K. Ghosh	Deputy Chairman
N. Jayaraman	Managing Director
M. A. Elias	Whole-time Director
K. V. Vaidyanathan	Whole-time Director
J. K. Setna	
T. C. T. Hsu	

Company Secretary

K. V. Vaidyanathan

Management Committee

N. Khanna	— Marketing
R. Kohli	— R & D
P. K. Natrajan	— Manufacturing & Technology
A. Pande	— Information Technology
P. Richardson	— Manufacturing
V. Runganadhan	— Sales
U. Upendra	— Human Resources

Solicitors

Crawford Bayley & Co.

Auditors

Ford, Rhodes, Parks & Co.
Chartered Accountants

Registered Office

Apeejay House, 3, Dinshaw Vachha Road,
Mumbai 400 020

Factories

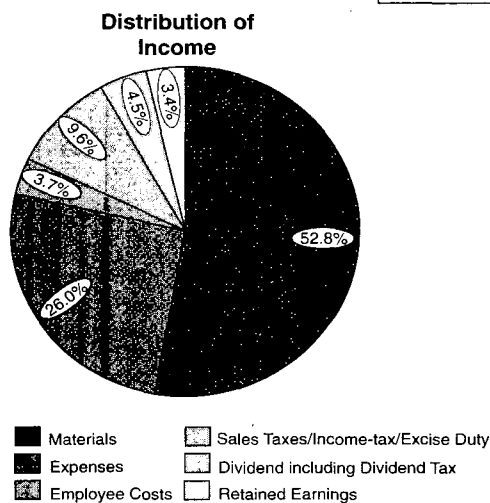
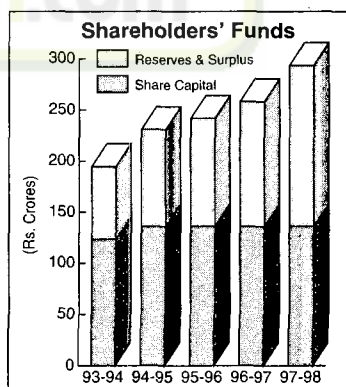
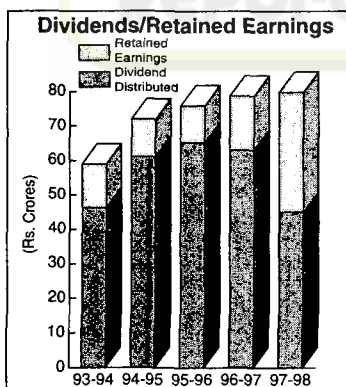
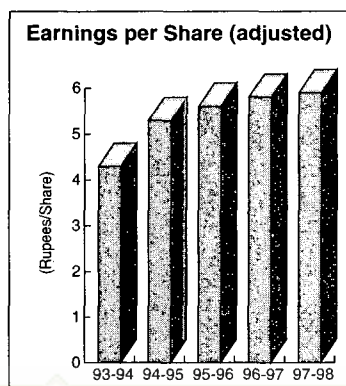
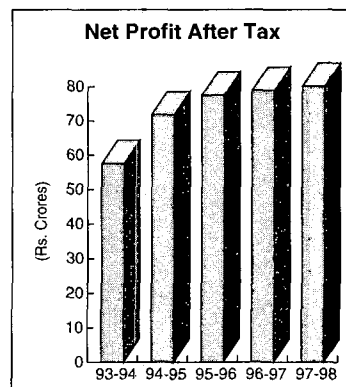
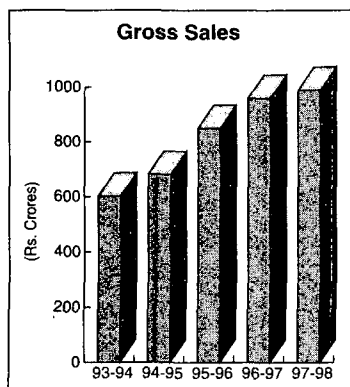
Sewri Fort Road, Mumbai 400 015
Waluj Industrial Area, MIDC, Aurangabad 431 133

Warehouses

Mumbai, Calcutta and Chennai

Registrars & Share Transfer Agents

Sharepro Services



TEN-YEAR HIGHLIGHTS

(Rs. Lacs)

	1988	1989	1990-91*	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Operating Results :										
Sales	229,40	272,61	404,33	420,92	494,70	601,97	681,46	850,11	960,60	989,07
Other Income	4,67	4,51	9,66	11,58	4,31	10,40	29,40	14,84	17,61	16,28
Total Income	234,07	277,12	413,99	432,50	499,01	612,37	710,86	864,95	978,21	1,005,35
Net Profit After Tax	21,24	25,06	43,41	41,05	48,36	58,80	71,79	76,30	78,92	80,07
Dividend Distributed	7,07	13,36	23,58	21,31	30,18	46,34	61,12	65,28	62,96@	44,88 @
Retained Earnings	14,17	11,70	19,83	19,74	18,18	12,46	10,67	11,02	15,96	35,19
Cash Profits	21,90	26,06	45,78	46,08	53,67	63,92	82,70	94,72	98,58	101,24
Financial Position :										
Fixed Assets (Net)	13,78	23,32	47,63	47,60	45,87	46,52	144,02	151,73	160,41	194,46
Current Assets (Net)	4,30	13,09	25,43	46,67	47,84	68,14	57,88	49,13	84,89	83,17
Others	27,31	23,68	7,72	2,38	21,95	81,66	30,69	43,68	16,89	20,51
TOTAL ASSETS	45,39	60,09	80,78	96,65	115,66	196,32	232,59	244,54	262,19	298,14
Share Capital	15,72	31,44	31,44	50,30	50,30	123,19	135,99	135,99	135,99	135,99
Reserves	29,34	25,32	45,15	46,02	64,20	71,53	95,00	106,02	122,18	157,37
SHAREHOLDERS' FUNDS	45,06	56,76	76,59	96,32	114,50	194,72	230,99	242,01	258,17	293,36
Loan Funds	33	3,33	4,19	33	1,16	1,60	1,60	2,53	4,02	4,78
TOTAL CAPITAL EMPLOYED	45,39	60,09	80,78	96,65	115,66	196,32	232,59	244,54	262,19	298,14
Equity Share Data :										
Earnings Per Share (Rs.)**	1.56	1.84	2.55	3.02	3.56	4.32	5.28	5.61	5.80	5.89
Dividend Per Share (Rs.)**	0.52	0.98	1.39	1.57	2.22	3.41	4.49	4.80	4.50	3.00
Number of Shares (in lacs)	1,57	3,14	3,14	5,03	5,03	12,32	13,60	13,60	13,60	13,60
Number of Shareholders (in '000s)	53	57	76	88	106	132	195	229	235	238

* For 15 months

** Adjusted for Bonus/Rights issues

@ Including Dividend Tax



Report of the Directors

To
The Members
Colgate-Palmolive (India) Limited

Your Directors have pleasure in presenting their Report and Audited Accounts of the Company for the year ended March 31, 1998.

Financial Results

(Rs. Crores)

	1997-98	1996-97
Gross Sales	989.07	960.60
Sales (Net of Excise)	945.91	904.54
Other Income	16.28	17.62
Profit before taxation	127.01	143.93
Provision for taxation	(46.94)	(65.00)
Profit after taxation	80.07	78.93
Balance brought forward	45.11	37.15
Profit available for appropriation	125.18	116.08
Appropriation:		
Dividends	40.80	61.20
Dividend Tax	4.08	1.77
General Reserve	8.10	8.00
Balance carried forward	72.20	45.11
	125.18	116.08

Business Performance

The continuing general slow-down in industrial activity accompanied by decline in agricultural production has impacted growth in consumer demand. Despite above, your Company recorded a sales turnover (net of excise) of Rs. 946 crores as against Rs. 905 crores in the previous year. In view of highly competitive environment, your Company was required to substantially invest in advertising to sustain its market leadership. Demand for consumer goods continues to be sluggish during the current year.

In today's competitive environment, your Company's endeavour has been to respond with such products and services that will not only raise the quality of life but will also enhance your Company's market leadership in the oral care business. With a view to meeting these challenges, your Company has taken several steps which include :

(a) New Products

In order to sustain and enhance the market leadership in the oral care category, your Company launched two major products – Colgate Double Protection and Colgate Total. Colgate Double Protection is a unique combination of two scientifically proven ingredients. This product, developed over a period of three years, has undergone rigorous scientific studies in India to provide real benefits to consumers. Colgate Total, which is relaunched recently, provides a long lasting protection upto 12 hours in fighting germs. It is also scientifically proven to be effective in fighting cavities, plaque, tartar, gum problems and bad breath between brushings. These products, which are competitively priced, are scientifically proven to provide consumers real and significant benefits. The launch of these products will considerably strengthen your Company's competitive edge in the oral care category.

**(b) Nepal Project :**

Colgate-Palmolive (Nepal) Private Limited was incorporated at Kathmandu, Nepal, in June 1997 as a wholly-owned subsidiary of your Company. It has set up a manufacturing facility to produce initially toothpaste and toothpowder. The commercial production has commenced in July 1998.

(c) Research Centre :

A Research Centre is being established at Powai, Mumbai, primarily to meet the needs of the Company's domestic business. Substantial progress has been made as scheduled. This Centre is being established with the technical assistance of the Colgate's Global Technology Centre situate at Piscataway, New Jersey, U.S.A. The Research Centre is expected to considerably increase the competitive strength of your Company, particularly in the oral care category in introducing innovative products faster to meet consumers' needs. The Research Centre will also accommodate the Company's Corporate Office under one roof to achieve synergy and higher productivity.

(d) SAP Integrated Information System:

Your Company's offices, factories and warehouses are spread over several geographic locations and in order to achieve synergy, cost reduction and higher productivity, your Company has installed SAP integrated software, the leading Enterprise - Wide Resource Planning System. This system, installed at a substantial cost, has gone live in July 1998 and your Company is confident that with progressive implementation, this system will bring in beneficial results through process improvements and operational efficiency. Your Company could not have successfully commissioned the system without disruption but for the support, guidance and assistance provided by a team of experienced key professionals of Colgate-Palmolive Company, USA.

(e) Dicalcium Phosphate

As reported last year, the Dicalcium Phosphate manufacturing facility established at Aurangabad became operational at the end of third quarter of 1997. Dicalcium Phosphate is a key ingredient for toothpaste and the decision to implement this vertical integration project will not only support the Company's growth plans but will also strengthen its competitive edge.

(f) Regional Distribution Centre

Your Company's products are produced at different locations and the same are stocked at warehouses spread over several locations. Hence, an efficient distribution system is required to minimise inventory in the system to render prompt service to customers and to optimise freight cost. With a view to achieving these objects, your Company has set up a Regional Distribution Centre near Mumbai, in March 1998 which is yielding desired results.

These steps, the shareholders will appreciate, are in the long-term interest of your Company. In a highly competitive market environment, the success of a Company will depend on making available to consumers innovative products at affordable prices. With a view to strengthening its competitive edge, your Company has decided to invest substantial amounts in above projects. Your Board is confident that shareholders will extend their whole-hearted support as these investments will considerably strengthen your Company's operations in the long run.

Dividends

Considering the need to conserve resources for the Company's long-term projects and the investments required to sustain and enhance market leadership in the oral care category, your Board has recommended a final dividend of Rs. 1.70 per share for the year ended March 31, 1998 subject to the same being approved by shareholders at the forthcoming Annual General Meeting. If approved, the dividend will be payable on or about October 7, 1998 to those shareholders whose names are registered in the Register of Members of the Company as on September 16, 1998. With the interim dividend of Rs. 1.30 per share paid in December 1997, the total dividend for the year 1997-98 works out to Rs. 3.00 per share.



Commitment to Oral Hygiene

Colgate has made substantial efforts to purposefully connect its business activities to wider social objectives. Central to Colgate's philosophy has been an effort to build strong bonds with society and reinforce Colgate's commitment to the community, in which it operates. Recently, Colgate in collaboration with the Indian Dental Association has promoted "Smiles For All — National Oral Health Programme". Through this project, an unprecedented 50 lac children from thousands of schools in over 100 towns will be contacted through four strategic programmes, namely (a) School Dental Health Check-ups; (b) Healthy Teeth Contests; (c) Teachers' Training Programme and (d) Dental Health Education Programme.

Colgate has made considerable efforts and investment to support this project to increase oral hygiene awareness in society — a reflection of Colgate's continued commitment to oral hygiene in the country.

Employee Relations

Relations between the employees and the management continued to remain cordial during the year under review.

A long-term agreement was signed with the Company's Aurangabad Factory Union on June 1, 1997. The agreement is valid for a period of three-and-a-half years.

Information as per Section 217(2A) of the Companies Act, 1956 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 Companies Act, 1956 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 Company Secretary at the Registered Office of the Company.

Energy, Technology Absorption and Foreign Exchange

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is appended hereto and forms part of this Report.

Directors

Consequent upon retirement by Mr. S. A. Lister from the services of Colgate-Palmolive Company, U.S.A. he resigned as Director and Chairman of the Board effective June 30, 1998.

Effective July 1, 1998 Mr. S. Peter Dam was appointed a Director and Chairman of the Board. Mr. Peter Dam is President, Asia-Pacific Division of Colgate-Palmolive Company, U.S.A.

Ms. M.C. Mayes also resigned as Director of the Company effective June 30, 1998 and in her place Mr. T. C. T. Hsu was appointed an Additional Director of the Company effective July 1, 1998.

Under Article 124 of the Company's Articles of Association, Mr. R. A. Shah and Mr. P. K. Ghosh retire by rotation at the 57th Annual General Meeting and, being eligible, offer themselves for re-appointment.

Auditors

Messrs. Ford, Rhodes, Parks & Co., Chartered Accountants, retire and are eligible for re-appointment as Auditors.

Acknowledgements

The Directors would like to express their sincere thanks and appreciation to all employees for their commendable team work, high degree of professionalism and the enthusiastic efforts displayed by them during the year. Finally, the Directors wish to express their gratitude to the Members for their continued support.

On behalf of the Board

Managing Director	N. Jayaraman
Director	J. K. Setna

Mumbai, July 31, 1998