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Board of Directors

	<i>Chairman</i>	F. T. Garcia
	<i>Vice-Chairman</i>	R. A. Shah
	<i>Deputy Chairman</i>	P. K. Ghosh
	<i>Managing Director</i>	R. D. Calmeyer
	<i>Whole-time Director</i>	M. A. Elias
	<i>Whole-time Director</i>	K. V. Vaidyanathan
	<i>Whole-time Director</i>	V. Hegde
		J. K. Setna
		V. S. Mehta
	<i>Company Secretary</i>	K. V. Vaidyanathan
Management Committee	<i>Managing Director</i>	R. D. Calmeyer
	<i>Finance</i>	M. A. Elias
	<i>Legal</i>	K. V. Vaidyanathan
	<i>Marketing</i>	V. Hegde
	<i>Sales</i>	S. Bharatwaj
	<i>R & D</i>	S. Manek
	<i>Information Technology</i>	A. Pande
Audit Committee	<i>Manufacturing & Supply Chain</i>	L. Wheeler
	<i>Human Resources</i>	D. Roy
	<i>Chairperson</i>	R. A. Shah
		P. K. Ghosh
		J. K. Setna
		V. S. Mehta
	<i>Secretary</i>	K. V. Vaidyanathan
Shareholders'/Investors' Grievance Committee	<i>Chairperson</i>	P. K. Ghosh
		R. D. Calmeyer
		J. K. Setna
		K. V. Vaidyanathan
	<i>Solicitors</i>	Crawford Bayley & Co.
	<i>Auditors</i>	Price Waterhouse Chartered Accountants
	<i>Registered Office</i>	Colgate Research Centre Main Street, Hiranandani Gardens Powai, Mumbai 400 076
	<i>Factories</i>	Plot No. B 14/10 MIDC, Waluj Industrial Area, Aurangabad 431 136
		Plot No. 78, 1 Jharmajari, Barotiwala, District Solan, Baddi, [H.P.] 174 103
	<i>Registrars & Share Transfer Agents</i>	Sharepro Services (India) Private Limited

Ten-year Highlights

	Rs. Lacs									
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
A. Operating Results :										
Sales	1,019,73#	998,22#	1,089,58#	1,176,88	1,160,89	1,056,89	1,042,08	1,072,53	1,217,50	1,385,38
Other Income	12,48#	16,31#	22,89#	29,51	30,95	35,76	29,92	34,23	46,09#	67,00
Net Profit After Tax	80,07	45,67	51,79	62,50	69,79	88,66	108,00	113,29	137,60	160,17
Cash Profits	101,24	70,30	75,00	82,72	91,94	108,13	132,26	135,66	169,03	175,42
B. Financial Position :										
Fixed Assets (Net)	194,46	226,17	215,58	196,93#	172,31	158,02	93,95	147,21	169,12	192,03
Current Assets (Net)	83,17	58,47	80,31	31,26#	56,86	29,52	36,77	(62,83)	(49,64)	(66,23)
Others (Net)	20,51	14,23	11,08	23,97#	27,72	89,62	115,76	169,37	155,95	159,00
TOTAL ASSETS	298,14	298,87	306,97	252,16	256,89	277,16	246,48	253,75	275,43	284,80
Share Capital	135,99	135,99	135,99	135,99	135,99	135,99	135,99	135,99	135,99	135,99
Reserves and Surplus	157,37	157,75	164,26	103,12	111,65	139,03	108,32	113,78	135,08	144,53
SHAREHOLDERS' FUNDS	293,36	293,74	300,25	239,11	247,64	275,02	244,31	249,77	271,07	280,52
Loan Funds	4,78	5,13	6,72	13,05	9,25	2,14	2,17	3,98	4,36	4,28
TOTAL CAPITAL EMPLOYED	298,14	298,87	306,97	252,16	256,89	277,16	246,48	253,75	275,43	284,80
C. Equity Share Data :										
Earnings Per Share (Rs.)	5.89	3.36	3.81	4.60	5.13	6.52	7.94	8.33	10.12	11.78
Dividend Per Share (Rs.)	3.00	3.00	3.00	8.25*	4.25	4.25	6.00**	7.00	7.50	9.50***
Number of Shares (in Lacs)	13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60
Number of Shareholders (in '000s)	2,38	2,41	2,30	2,22	2,15	2,07	1,85	1,59	1,41	1,40

Re-grouped

* Including one-time special dividend of Rs. 4.75 per share.

** Including one-time special 25th Anniversary Dividend of Rs.1.25 per share.

*** Including one-time special 70th Anniversary Dividend of Rs. 2.00 per share.

Previous year's figures have been re-classified to conform with current year's presentation, where applicable.

Notice

NOTICE is hereby given that the Sixty-sixth Annual General Meeting of COLGATE-PALMOLIVE (INDIA) LIMITED will be held at Shri Bhaidas Maganlal Sabhagriha, Swami Bhaktivedanta Marg, J.V.P.D. Scheme, Vile-Parle (West), Mumbai 400 056 on Friday, July 27, 2007 at 3.30 p.m. to transact the following business :

1. To receive, consider and adopt the Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors.
2. To declare a dividend.
3. To appoint a Director in place of Mr. P. K. Ghosh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. A. Elias, 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 subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), the approval of the Company be and is hereby accorded to the re-appointment of Mr. M. A. Elias as a Whole-time Director of the Company for a period of five years effective April 1, 2007 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into between the Company and Mr. Elias, a copy whereof initialled by the Vice-Chairman for the purpose of identification is placed before the Meeting, with a liberty to the Board of Directors or Managing Director to alter and vary such terms and conditions, including remuneration within, however, the maximum limit prescribed under Schedule XIII of the Act.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable.”

6. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), the approval of the Company be and is hereby accorded to the re-appointment of Mr. K.V. Vaidyanathan as a Whole-time Director of the Company for a period of five years effective April 1, 2007 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into between the Company and Mr. Vaidyanathan, a copy whereof initialled by the Vice-Chairman for the purpose of identification is placed before the Meeting, with a liberty to the Board of Directors or Managing Director, to alter and vary such terms and conditions, including remuneration within, however, the maximum limit prescribed under Schedule XIII of the Act.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable.”

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

“RESOLVED that pursuant to Section 100 and other applicable provisions, if any, of the Companies Act, 1956 read with Article 8 of the Articles of Association of the Company and subject to confirmation of the High Court of Judicature at Bombay/Tribunal (“the Court”) and subject to obtaining such approvals/consents as may be required and further subject to such conditions as may be prescribed while granting such approvals/consents and confirmations which the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include a committee constituted by the Board for this purpose) may agree and accept, the share capital of the Company be reduced to Re. 1/- per share fully paid-up out of the face value of the equity shares of the Company of Rs.10/- per share fully paid-up which face value post such reduction shall become Re. 1/- per share fully paid-up and the face value of the equity shares so reduced at the rate of Rs. 9/- (Rupees nine only) per share (hereinafter referred to as the “Capital Reduction”), which is being in excess of the wants of the Company, be paid to the Members of the Company on a Record Date to be fixed by the

Board upon the Capital Reduction outlined herein becoming finally effective.

RESOLVED FURTHER that the Capital Reduction will be subject to and dependent upon the benefit thereof being extended to all Members of the Company uniformly.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to make such applications to the Court/ Tribunal as may be required and agree to any modifications or conditions that may be suggested, imposed or stipulated by the Court or any other authority or effect such modifications as may be considered in the best interest of the Company and its Members and to give such directions or instructions as they, from time to time, may think fit or proper (including directions for settling any question, doubt or difficulty which may arise in this regard) and to do all such acts, deeds, matters and things as the Board, in its absolute discretion, may consider necessary, expedient, usual or proper.”

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that upon the Capital Reduction set out in resolution at Item No. 7 of the Notice convening the Annual General Meeting becoming finally effective and pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 and of the Articles of Association of the Company, the nominal face value of the equity share of Rs.10/- (Rupees ten only) each of the Company be and shall stand reduced to Re. 1/- (Rupee one only) per share and the relevant Capital Clauses in the Memorandum and Articles of Association of the Company be accordingly altered as proposed in the resolutions at Item Nos. 9 and 10 of the Notice convening the Annual General Meeting.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, including issue of fresh share certificates and execute all such documents, instruments and writings as may be required in the said connection and to delegate all or any of the powers herein vested in them to any Committee of Directors or any Director(s) to give effect to the aforesaid resolution.”

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED that upon the Capital Reduction set out in resolution at Item No. 7 of the Notice convening the Annual General Meeting becoming finally effective, existing Clause V of the Memorandum of Association of the Company be deleted and the following new Clause V be substituted in place thereof –

V. The Authorised Capital of the Company is Rs.137,00,00,000 (Rupees one hundred thirty-seven crores) divided into 1,37,00,00,000 (One hundred thirty-seven crores) shares of Re.1/- (Rupee one only) each.’”

10. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :

“RESOLVED that upon the Capital Reduction set out in resolution at Item No. 7 of the Notice convening the Annual General Meeting becoming finally effective and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered by deleting existing Article 3 and substituting the following new Article 3 in place thereof –

“3. The Authorised Share Capital of the Company shall be as per Clause V of its Memorandum of Association.’”

11. To appoint Auditors and to fix their remuneration.

By Order of the Board

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

Date : May 3, 2007

Registered Office :
Colgate Research Centre
Main Street, Hiranandani Gardens
Powai, Mumbai 400 076

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ONLY ON A POLL AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. An explanatory statement under Section 173 of the Companies Act, 1956 in respect of Items 5 to 10 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, July 20, 2007 to Friday, July 27, 2007 (both days inclusive).
4. The Board has recommended a special 70th Anniversary dividend at its meeting held on May 3, 2007. This dividend, if approved by the Members at the ensuing Annual General Meeting to be held on July 27, 2007, will be paid on or about August 21, 2007 to those Members whose names appear in the Company's Register of Members on July 27, 2007. However, in respect of shares held in electronic form, the dividend will be payable to those persons whose names appear as beneficial owners as at the end of the business hours on July 19, 2007 as per details thereof to be furnished by the depositories.
5. Share transfer documents and all correspondence relating thereto, should be addressed to the Registrars and Share Transfer Agents of the Company, Sharepro Services (India) Private Limited, 912, Raheja Centre, Free Press Journal Marg, Nariman Point, Mumbai 400 021.
6. Members who hold shares in physical form are requested to notify immediately any change in their addresses to the Registrars and Share Transfer Agents of the Company at the above address and to their respective depository participants, in case shares are held in electronic mode.
7. To avoid the incidence of fraudulent encashment of the warrants, the Members are requested to intimate the Registrars and Share Transfer Agents of the Company under the signature of the Sole/First joint holder the following information so that the Bank Account Number and Name and Address of the Bank can be printed on dividend warrants :
 - a) Name of Sole/First Joint holder and Folio Number
 - b) Particulars of Bank Account viz.
 - i) Name of the Bank
 - ii) Name of the Branch
 - iii) Complete address of the Bank with pin code number
 - iv) Account type, whether Savings or Current Account
 - v) Bank Account Number allotted by the Bank.
8. The Company, consequent upon the introduction of the Depository System (DS), entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Members, therefore, have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.
9. The DS envisages elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, mutilation of share certificates, etc. Simultaneously, DS offers several advantages like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.
10. Members holding shares in Demat form may please note that the bank account details given by them to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants of the concerned members. However, if any member wants to receive dividend in any other bank account, such Member should change/correct the bank account details with their concerned DPs. The Company would not entertain any request from such shareholders directly for deletion/change in the bank account details to be printed on the dividend warrants.
11. All unclaimed dividends upto the First Interim Dividend for 1995-96 paid by the Company on September 29, 1995 have been transferred to the General Revenue Account of the Central Government. The Members, who have not encashed the dividend warrants up to the said period are requested to claim the amount from The Registrar of Companies, CGO Building, II Floor, A Wing, Belapur, Navi Mumbai.

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years are transferred to the 'Investor Education and Protection Fund', constituted by the Central Government. Accordingly, unclaimed dividends from the Second Interim Dividend for 1995-96 have to be transferred to the

said Fund. During the Financial Year 2006-07, unclaimed amount of Dividend (Rs. 22,33,618/-) declared for the year 1998-99 has been transferred to the Investor Education and Protection Fund on November 29, 2006.

12. The Company has designated an exclusive e-mail ID called **investor_grievance@colpal.com** for redressal of shareholders' complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at **investor_grievance@colpal.com**.
13. Members desirous of asking any questions at the Annual General Meeting are requested to send in their questions so as to reach the Company at least 10 days before the Annual General Meeting so that the same can be suitably replied.
14. At the ensuing Annual General Meeting, Mr. P. K. Ghosh and Mr. M. A. Elias shall retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement, the particulars of Mr. Ghosh are given below and that of Mr. Elias are given in the explanatory statement relating to Item No. 5 of the Notice.

Mr. P.K. Ghosh :

Mr. P. K. Ghosh is a Fellow of the Institute of Chartered Accountants of India and a former Managing Director of your Company. Since 1974, he has served the Company in various capacities. He was appointed President of the Company in July, 1982 and its Managing Director effective July 1, 1988. He resigned as Managing Director in January, 1993 in order to take a senior position with the Colgate-Palmolive Asia Pacific Division; he has since retired from that position. However, throughout this period he has continued to serve the Company as a Non-executive Director and Deputy Chairman of the Board. Mr. Ghosh brings to the Board his rich experience and understanding of the consumer product business and the Company stands to benefit significantly from his expertise.

Other Directorships :

Does not hold any other directorship.

Committee Membership :

Member of the Audit Committee and Chairman of the Shareholders'/Investors' Grievance Committee of the Company.

Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956.

Item 5

Mr. M. A. Elias is a Member of both the Institute of Chartered Accountants of India and the Institute of Cost & Works Accountants of India. He joined the Company in 1976 as Budget Manager and thereafter held positions of increasing responsibilities in Colgate-Palmolive Company's subsidiaries at Zambia and Boston (U.S.A.), at the Corporate Headquarters in New York and in the Asia Pacific Region including joint venture activities in Vietnam, South Korea and Indonesia. He has wide and varied experience in international finance and business development operations. Prior to his transfer to the Company in April, 1996, he was Finance Director, Asia Business Development Group of Colgate-Palmolive Company, USA. He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies. His contributions have been invaluable.

Mr. Elias was appointed a Whole-time Director of the Company effective April 1, 1997 and thereafter re-appointed for a period of five years from April 1, 2002. In recognition of his extensive exposure and experience, the Board of Directors of the Company ("the Board") has re-appointed him a Whole-time Director of the Company for a further period of five years from April 1, 2007 subject to the approval of the shareholders. The Board is of the opinion that his re-appointment as a Whole-time Director of the Company would be in the best interest of the Company. The Board has no hesitation in commending his appointment.

The Directorship and Membership details of Mr. Elias are given below :

Name of Company	Designation	Membership of Audit Committee/ Shareholders'/Investors' Grievance Committee of Board
Colgate-Palmolive (India) Ltd.	Whole-time Director	—
Colgate-Palmolive (Nepal) Private Ltd.	Director	—

The material terms of the agreement to be entered into between the Company and Mr. Elias are given below :

The remuneration payable to Mr. Elias shall be determined by the Board or Managing Director from time to time

within, however, the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 :

1. Salary :

Upto Rs. 20,00,000/- per month.

2. Commission or Performance Linked Incentive or Bonus :

Not exceeding 1% of the net profit of the Company in any financial year as the Board or Managing Director may determine from time to time but shall not exceed the amount equivalent to the salary for the relevant period; it may be paid pro-rata on a monthly basis at the absolute discretion of the Board or Managing Director.

3. Perquisites :

He shall be entitled to furnished/non-furnished accommodation, gas, electricity, medical reimbursement, club fees, personal accident insurance, Company maintained car, telephone and such other perquisites in accordance with the Company's rules, the monetary value of such perquisites to be determined in accordance with the Income-tax Rules, 1962, being restricted to Rs. 30 Lacs per annum.

4. Company's contribution to provident fund and superannuation fund or annuity fund, gratuity payment as per Company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites as aforesaid.

5. Mr. Elias being an expatriate, in addition to the perquisites stipulated above, he shall also be entitled to :

a) Leave Travel Concession :

For self and family once a year to any destination in India. In case leave is to be spent in home country, return passage will be allowed for self and family in accordance with the rules specified by the Company; and

b) Reimbursement of expenses incurred on returning to home country :

Actual expenses incurred on travel and on packing, forwarding, loading/unloading, as well as freight, insurance, customs duty, clearing expenses and local transportation in connection with the moving of personal effects for self and family. Such expenses may be reimbursed at the time of his finally leaving the employment

of the Company. In case he joins another affiliate of the Colgate Group, the said affiliate will bear these expenses.

In the event of absence or inadequacy of profits in any financial year, Mr. Elias will be paid the aforesaid remuneration and perquisites as minimum remuneration for that year in accordance with the provisions of the Companies Act, 1956.

The Board or Managing Director shall have the discretion and authority to modify the foregoing terms of remuneration within, however, the maximum limit prescribed under Schedule XIII of the Companies Act, 1956.

The re-appointment will be for a period of five years which may be terminated by either party giving to the other ninety days' notice in writing or upon Mr. Elias ceasing to be a Director of the Company.

A copy of the draft agreement referred to in the resolution would be available for inspection by the Members at the Registered Office of the Company during business hours on any working day, excluding Saturday, upto and including the day of this Meeting.

The above terms and conditions may also be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors, except Mr. Elias, is concerned or interested in the resolution.

Item 6

Mr. K. V. Vaidyanathan is a lawyer with varied professional experience and expertise in a broad spectrum of corporate laws, economic laws and intellectual property rights and is also a Member of the Institute of Company Secretaries of India. He joined the Company as Company Secretary in 1991 and was appointed a Whole-time Director of the Company effective April 1, 1997 and thereafter re-appointed for a period of five years from April 1, 2002. He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies. His contributions have been invaluable.

In recognition of his accomplishments, the Board of Directors of the Company ("the Board") has re-appointed him a Whole-time Director of the Company for a further period of five years from April 1, 2007, subject to the approval of the shareholders. The Board is of the opinion that his re-appointment as a Whole-time Director of the Company would be in the best interest of the Company. The Board has no hesitation in commending his appointment.

The Directorship and Membership details of Mr. Vaidyanathan are given below :

Name of Company	Designation	Membership of Audit Committee/ Shareholders'/Investors' Grievance Committee of Board
Colgate-Palmolive (India) Ltd.	Whole-time Director	Secretary - Audit Committee Member - Shareholders'/ Investors' Grievance Committee
Colgate-Palmolive (Nepal) Private Ltd.	Director	—

The material terms of the agreement to be entered into between the Company and Mr. Vaidyanathan are given below :

The remuneration payable to Mr. Vaidyanathan shall be determined by the Board or Managing Director from time to time within, however, the maximum limit prescribed under Schedule XIII of the Companies Act.

1. Salary :

Upto Rs. 5,00,000/- per month.

2. Commission or Performance Linked Incentive or Bonus :

Not exceeding 1% of the net profit of the Company in any financial year as the Board or Managing Director may determine from time to time but shall not exceed the amount equivalent to the salary for the relevant period; it may be paid pro-rata on a monthly basis at the absolute discretion of the Board or Managing Director.

3. Perquisites :

He shall be entitled to furnished/non-furnished accommodation or house rent allowance in lieu thereof, gas, electricity, medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, Company maintained car, telephone and such other perquisites to be determined in accordance with the Income-tax Rules, 1962 being restricted to Rs. 30 Lacs per annum.

4. The Company's contribution to provident fund and superannuation fund or annuity fund, gratuity payment as per Company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites as aforesaid.

In the event of absence or inadequacy of profits in any financial year, Mr. Vaidyanathan will be paid the aforesaid remuneration and perquisites as minimum remuneration for that year in accordance with the provisions of the Companies Act, 1956.

The Board or Managing Director shall have the discretion and authority to modify the foregoing terms of remuneration within, however, the maximum limit prescribed under Schedule XIII of the Companies Act, 1956.

The re-appointment will be for a period of five years which may be terminated by either party giving to the other ninety days' notice in writing or upon Mr. Vaidyanathan ceasing to be a Director of the Company.

A copy of the draft agreement referred to in the resolution would be available for inspection by the Members at the Registered Office of the Company during business hours on any working day, excluding Saturday, upto and including the day of this Meeting.

The above terms and conditions may also be treated as an abstract under Section 302 of the Companies Act, 1956.

None of the Directors, except Mr. Vaidyanathan, is concerned or interested in the resolution.

Items 7 to 10

The Board of Directors of the Company ("the Board") at their meeting held on May 3, 2007 has approved the Capital Reduction so as to reduce the fully paid face value of shares from Rs. 10/- per share to Re. 1/- per share involving payment of Rs. 9/- per share to the Members of the Company as a "deemed dividend" on a Record Date to be determined by the Board after the said Capital Reduction becoming finally effective.

The Capital Reduction is conditional on and subject to :

- the approval of the Special Resolution at Item No. 7 by the Members of the Company;
- the confirmation of the High Court of Judicature at Bombay under Section 100 of the Companies Act, 1956;
- any other approval, consent or order of the appropriate authorities/forum as may be considered necessary and appropriate by the Board being obtained and granted in respect of any of the matters for which such approval, consent or order is required; and

- d) the benefit of the Capital Reduction being extended to all Members of the Company uniformly.

The Company has been advised that the amount payable as a “deemed dividend” under the Capital Reduction will not be taxable in the hands of Members. However, the Company will be liable to pay Dividend Distribution Tax. The payment under the Capital Reduction will not entail declaration or distribution of any dividend for the purposes of Section 205 and 205A of the Companies Act, 1956.

The resolution at Item No. 7 is designed to obtain the approval of the Members pursuant to Article 8 of the Company’s Articles of Association which, *inter alia*, empowers the Company to reduce its capital subject to the provisions of Sections 100 to 105 of the Companies Act, 1956.

The logic and rationale for proposing the Capital Reduction to the Members of the Company are given hereunder :

1. The Authorised Share Capital of the Company is Rs. 137,00,00,000/- comprising of 13,70,00,000 equity shares of Rs. 10/- each. The present Issued, Subscribed and Paid-up Share Capital is Rs. 135,99,28,170/- comprising of 13,59,92,817 equity shares of Rs. 10/- each.
2. The Company is engaged in the manufacture and/or marketing of fast moving consumer goods. The Company has maintained an impressive and consistent track record of profitable growth reflective of its leadership in the Oral Care market. Its performance has been driven by the Management’s strategy of successfully re-deploying the profits to support the Company’s core operations besides being able to significantly reduce its working capital requirement owing to several steps taken to improve the Company’s operational efficiency. During the past two years, the Company has made significant investments for creating incremental toothpaste productive capacity at Baddi. While the investments required for capital assets on an on-going basis are not significant given that the Company is not engaged in a capital intensive business, the Company will continue to make sustained commercial investments to reinforce and strengthen its market leadership position for which adequate cash will continue to be available with the Company post implementation of the Capital Reduction.
3. The Company has been following a rich dividend paying policy over the years backed up by a high dividend payout to its Members. Despite the high dividend payout ratio, the Shareholders’ Funds have

increased to Rs. 2,80.5 Crores out of the total Capital Employed of Rs. 2,84.8 Crores as of 31st March, 2007. Moreover, the Company has rewarded its Members with a series of bonus issues since 1982 which is borne out by the fact that of Rs.1,36.0 Crores of its Issued and Paid-up Capital, Rs.1,09.9 Crores constitute Bonus Shares.

4. The Shareholders’ Funds are represented by the significant cash surplus on the Company’s books as is evident from Rs. 3,13.2 Crores lying in the form of Investments in taxable/tax-free bonds, Inter-corporate deposits and cash as on 31st March, 2007.
5. It is obvious from the above that the Company has surplus cash in excess of its operational needs. Investments in treasury, which satisfy the Company’s investment criteria of security and liquidity, have yielded an incremental return of only 6 per cent as against the return on the Company’s core operations, which is significantly higher.

Hence the Board has come to the conclusion that it is financially prudent for the Company to return its share capital, which is in excess of its wants, to the Members by restructuring the capital structure as proposed in the Resolution at Item No. 7 of the Notice. Through this process of reduction of capital, the Company will be able to return Rs. 1,22.4 Crores of the Shareholders’ Funds to the Members, without any restriction or cap as is applicable to a scheme of buy-back under Section 77A of the Companies Act, 1956. Further, the amount of Rs. 9/- per share so reduced from the face value of Rs. 10/- per share and paid in cash to each Member would benefit all Members uniformly.

6. Even after the implementation of the Capital Reduction, the Company will have a strong Balance Sheet positively impacting its return on equity from 117.8 per cent to 214.1 per cent based on its Balance Sheet as of 31st March, 2007. The Company will continue to have substantial reserves, which can be leveraged in an effective manner to fund any future organic or inorganic plans that are part of its growth strategy. The Capital Reduction also does not affect the Company’s ability in future to increase its share capital and/or raise funds by way of borrowings to meet the Company’s growth plans, including any possible acquisition.
7. The Capital Reduction proposal is, therefore, in the best interest of the Company and its Members for various reasons including the following :