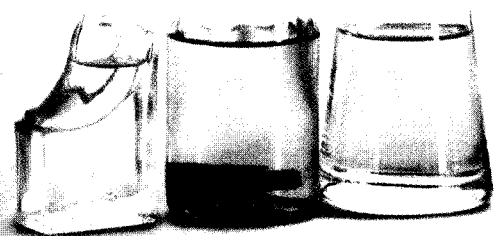


PERFORMANCE REPORT 2003-04

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Protect first.





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*Protection is not just an
Emami product attribute.*

It is a business characteristic as well.
Reflected in prudent and proactive de-risking.

This is how the strategy has touched Emami :
in most companies, an adverse industry
environment usually translates into a decline in sales
and profits. At Emami, the reality has been different.

Thanks to an ongoing de-risking discipline integrated
into a differentiated herbal and Ayurveda-centric
business model, the company has leveraged
on an industry upturn and protected its
bottomline during the trough at various
junctures in its long history.

This was amply evident in 2003-04. Even as India's
FMCG industry turned sluggish and competition
increased, Emami posted a 12 per cent topline
and eight per cent bottomline growth.

Emphasising that de-risking is not necessarily a
defensive option but an aggressive business strategy.



VISITING



Emami Limited is in the business of manufacturing personal, beauty and health care products. The company manufactures herbal and Ayurvedic products through the use of modern scientific laboratory practices. This blend enables the company to manufacture products that are mild, safe and effective. The company's



product basket comprises over 20 products, the major being Boroplus Antiseptic Cream, Navratna Oil, Boroplus Prickly Heat Powder, Sona Chandi Chyawanprash and Amritprash, Mentho Plus Pain Balm, Fast Relief, Golden Beauty Talc, Madhuri Range of Products and others. The products are sold across



all states in India and in countries like Nepal, Sri Lanka, the Gulf countries, Europe, Africa and the Middle East, among others.

Manufacturing

Emami's products are manufactured in Kolkata, Pondicherry, Guwahati and Mumbai. The company

BOARD



commenced operations at its fully automated manufacturing unit in Amingaon, Guwahati in 2003-04.

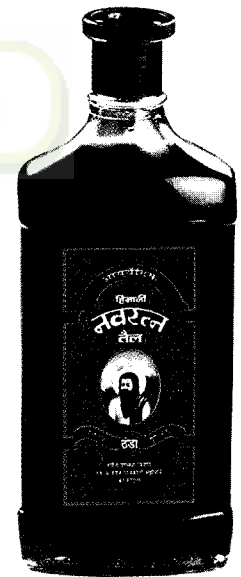
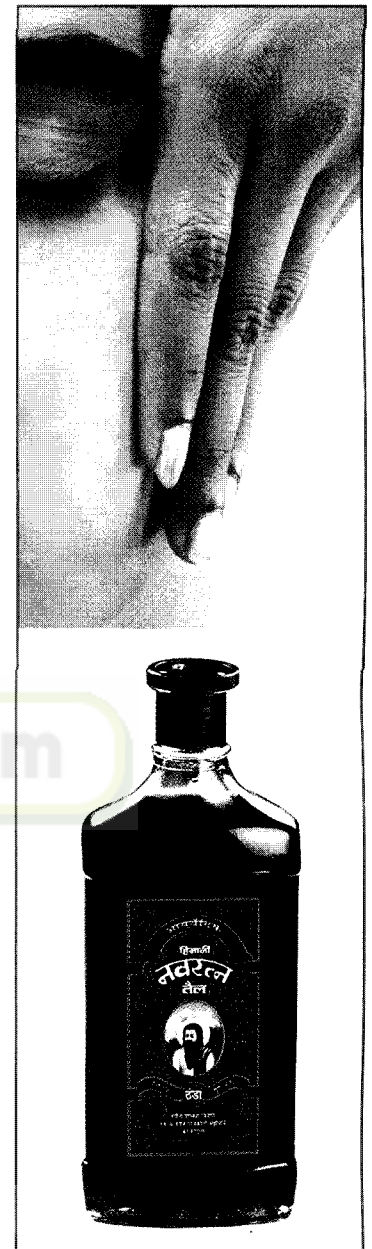
Network

The company's dispersed manufacturing facilities are complemented with a strong product throughput, facilitated by a robust distribution network of over 1,700 distributors



and 3.5 lakh retail outlets. With a view to reach its products deeper into the country, direct selling has been extended to rural villages. As a result, rural sales increased substantially in 2003-04 compared to the previous year.

Emami is headquartered in Kolkata. The company's branch offices are



located across 27 cities in India.

Promoters

Emami is promoted by Shri R.S. Agarwal and Shri R.S. Goenka, Kolkata-based industrialists.

Emami's shares are listed on the Calcutta Stock Exchange and Bombay Stock Exchange.



Emami's complete product range is represented by brands that are robust and visible.

Over the years, the product credibility of these brands has been reinforced by the power of the big idea, which has helped the company's products cut the clutter of a competitive marketplace.

Emami's big ideas have comprised the following:

Brand appeal: Herbal and Ayurveda-centric products developed after extensive research on Ayurveda coupled with modern scientific practices.

Brand assurance: Products that are mild, safe and effective, endowed with the ability to heal, protect and beautify.

Brand audience: Lower middle-class and middle-class India, the largest consuming class.

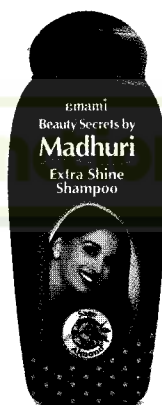
Brand quality: Products of international quality standard manufactured with sophisticated laboratory practices in ISO -9001:2000 and cGMP-compliant units.

Brand USP: Value-for-money products created with enriching and fortifying herbs and minerals – sona and chandi in Chyawanprash and Amritprash for strengthening the body; pearl in Naturally Fair Pearls Cream for nourishing the skin and jojoba, sage and chamomile in Sunscreen shampoo for protecting the hair from the harmful UV rays of the sun.

Brand diversity: Varied product lines and attractively priced extensions within each product line.

Brand ambassadors: Beauty queen and screen goddess Madhuri Dixit, megastar Amitabh Bachchan, actors Sunny Deol and Govinda, actresses Raveena Tandon, Raima Sen, Rituparna Sengupta and Jyothika and cricketer Sourav Ganguly, among others.

Result: Nearly 20 Emami products disappeared off retail shelves every second in 2003-04.



De-risking through BRANDS



Emami's robust distribution network ensures that a customer enjoys an access to products where and when the consumer wants them. This is a significant driver of Emami's profitability and represents an effective de-risking strategy.

This distribution network comprised over 1,700 distributors, complemented with 2,100 sub-stockists and 150 super-stockists in 2003-04.

The company's accelerated efforts to reach far and wide in 2003-04 resulted in a presence in over 5,300 villages and over 3.5 lakh retail shelves. As a prudent de-risking initiative, the marketing sales force is unified (earlier divided into urban and rural sales teams), which is expected to save considerable marketing costs for the company.

Emami's flexible approach towards packaging addressed how customers wanted its products.

This resulted in a greater use of LUPs - sachets, *dibbies* and small tubes, a shift from poly varnish to laminates, from collapsible tubes to laminates and from glass bottles to transparent plastic bottles.

The results of these comprised:

- Mentho Plus balm: This pioneering offer of a balm in affordable *dibbies* accelerated the sale of *dibbies* by 67 per cent in 2003-04.
- Madhuri Range of Shampoos, Navratna Oil, Himani Fast Relief and Boroplus Antiseptic Cream: Smaller packaging sizes, priced affordably at Re 0.50, Re 1, Rs 1.50, Rs 2 and Rs 5, helped trigger a demand at all pricing points, helping these respective brands grow considerably in an otherwise flat market in 2003-04.

Result: A graduation towards value-for-money packs helped the company create new consumers as opposed to servicing existing ones, resulting in an increased market share across most segments.



De-risking through

DISTRIBUTION PACKAGING



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